

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|   |              |                                      |        |
|---|--------------|--------------------------------------|--------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |              | Local Unit Name                      | County |
| Fiscal Year End   | Opinion Date | Date Audit Report Submitted to State |        |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

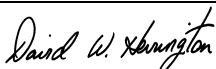
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |                          |  |                |     |
|--|--------------------------|--|----------------|-----|
| <b>We have enclosed the following:</b>   | Enclosed                 | Not Required (enter a brief justification) |                |     |
| Financial Statements   | <input type="checkbox"/> |  |                |     |
| The letter of Comments and Recommendations   | <input type="checkbox"/> |  |                |     |
| Other (Describe)   | <input type="checkbox"/> |  |                |     |
| Certified Public Accountant (Firm Name)  |                          | Telephone Number                           |                |     |
| Street Address   |                          | City                                       | State          | Zip |
| Authorizing CPA Signature<br> | Printed Name             |  | License Number |     |

# **Charter Township of Clinton Macomb County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2007**

# Charter Township of Clinton

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# Charter Township of Clinton

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Clinton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedules, and pension system schedule of funding progress and employer contributions (as identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



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To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Clinton's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2007 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

August 24, 2007

# Charter Township of Clinton

## Management's Discussion and Analysis

### Introduction

This discussion and analysis is included with the Charter Township of Clinton's financial report to provide an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

### Overview of this Annual Report

The basic financial statements that follow consist of two series of financial statements and a section entitled notes to financial statements. The notes section is to be read in conjunction with and is an integral part of each financial statement included within both series.

The first and shorter of this series provides information about the activities of the Charter Township of Clinton on a government-wide basis. The statements in this series consist of a statement of net assets and a statement of activities. This entire series is presented on pages 11-13. These statements are presented on a full accrual basis which is designed to present a longer-term view of the Township's finances. Unlike the more traditional fund-based financial statements, all activities reflected in these statements reflect the Township's investment in capital assets net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period's depreciation as an expenditure. The second of these two series is presented on pages 14-25. This series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, fiduciary funds, and component units. These statements illustrate how the services provided by the Township were financed in the short term. Additionally, these fund financial statements report the Township's operations in more detail than the government-wide financial statements.

### Government-wide Financial Statements

In a condensed format, the following table shows the comparison of net assets (in thousands) as of March 31, 2007 and 2006:

|                          | Governmental Activities |             | Business-type Activities |             | Total       |             |
|--------------------------|-------------------------|-------------|--------------------------|-------------|-------------|-------------|
|                          | 2007                    | 2006        | 2007                     | 2006        | 2007        | 2006        |
| <b>Current Assets</b>    | \$ 51,269.1             | \$ 38,232.7 | \$ 25,181.3              | \$ 22,495.0 | \$ 76,450.4 | \$ 60,727.7 |
| <b>Noncurrent Assets</b> |                         |             |                          |             |             |             |
| Restricted assets        | 10,797.2                | 657.3       | 1,531.3                  | 1,238.3     | 12,328.5    | 1,895.6     |
| Special assessments      | -                       | -           | 1,694.1                  | 1,013.7     | 1,694.1     | 1,013.7     |
| Capital assets           | 39,734.3                | 35,914.2    | 118,870.9                | 114,972.0   | 158,605.2   | 150,886.2   |
| Total assets             | 101,800.6               | 74,804.2    | 147,277.6                | 139,719.0   | 249,078.2   | 214,523.2   |
| <b>Liabilities</b>       |                         |             |                          |             |             |             |
| Current liabilities      | 11,752.2                | 4,906.8     | 4,574.8                  | 4,320.5     | 16,327.0    | 9,227.3     |
| Long-term liabilities    | 35,495.3                | 23,371.5    | 27,978.6                 | 23,989.4    | 63,473.9    | 47,360.9    |
| Total liabilities        | 47,247.5                | 28,278.3    | 32,553.4                 | 28,309.9    | 79,800.9    | 56,588.2    |

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

|  | Governmental Activities |                    | Business-type Activities |                     | Total               |                     |
|--|-------------------------|--------------------|--------------------------|---------------------|---------------------|---------------------|
|  | 2007                    | 2006               | 2007                     | 2006                | 2007                | 2006                |
| <b>Net Assets</b>                                |                         |                    |                          |                     |                     |                     |
| Invested in capital assets - Net of related debt | \$ 16,419.6             | \$ 14,789.8        | \$ 91,580.3              | \$ 91,329.9         | \$ 107,999.9        | \$ 106,119.7        |
| Restricted                                       | 38,133.5                | 24,253.7           | 1,810.5                  | 1,573.2             | 39,944.0            | 25,826.9            |
| Unrestricted                                     | -                       | 7,482.4            | 21,333.4                 | 18,506.0            | 21,333.4            | 25,988.4            |
| Total net assets                                 | <u>\$ 54,553.1</u>      | <u>\$ 46,525.9</u> | <u>\$ 114,724.2</u>      | <u>\$ 111,409.1</u> | <u>\$ 169,277.3</u> | <u>\$ 157,935.0</u> |

Total net assets related to the Township's governmental activities increased by approximately \$8,027,000. The unrestricted portion of net assets decreased by approximately \$7,482,000 and the restricted portion increased by approximately \$15,510,000. The increase resulted primarily from two events: An additional 1.5 voted operational millage on the December 2006 tax bills generated an additional \$4,661,000 for police operations and the 41-B Court Building Capital Projects Fund has \$9,700,000 remaining from a \$13,500,000 general obligation bond issue for construction of a new court building.

The following table shows the changes in net assets (in thousands of dollars) during the years ended March 31, 2007 and 2006:

|                                    | Governmental Activities |            | Business-type Activities |             | Total       |             |
|------------------------------------|-------------------------|------------|--------------------------|-------------|-------------|-------------|
|                                    | 2007                    | 2006       | 2007                     | 2006        | 2007        | 2006        |
| <b>Revenue</b>                     |                         |            |                          |             |             |             |
| Program revenue:                   |                         |            |                          |             |             |             |
| Charges for services               | \$ 4,621.2              | \$ 6,499.2 | \$ 27,057.3              | \$ 27,365.7 | \$ 31,678.5 | \$ 33,864.9 |
| Operating grants and contributions | 2,378.3                 | 1,759.6    | -                        | 2.1         | 2,378.3     | 1,761.7     |
| Capital grants and contributions   | 34.5                    | 50.0       | -                        | -           | 34.5        | 50.0        |
| General revenue:                   |                         |            |                          |             |             |             |
| Property taxes                     | 37,451.2                | 31,157.9   | -                        | -           | 37,451.2    | 31,157.9    |
| State-shared revenue               | 7,899.0                 | 8,031.1    | -                        | -           | 7,899.0     | 8,031.1     |
| Interest                           | 1,518.5                 | 724.7      | 1,069.2                  | 840.9       | 2,587.7     | 1,565.6     |
| Miscellaneous                      | 1,210.6                 | -          | 158.6                    | -           | 1,369.2     | -           |
| Income from joint ventures         | -                       | 1,220.6    | -                        | -           | -           | 1,220.6     |
| Total revenue                      | 55,113.3                | 49,443.1   | 28,285.1                 | 28,208.7    | 83,398.4    | 77,651.8    |



# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

|  | Governmental Activities |                    | Business-type Activities |                     | Total               |                     |
|--|-------------------------|--------------------|--------------------------|---------------------|---------------------|---------------------|
|  | 2007                    | 2006               | 2007                     | 2006                | 2007                | 2006                |
| <b>Program Expenses</b>                        |                         |                    |                          |                     |                     |                     |
| General government                             | \$ 5,187.2              | \$ 5,400.1         | \$ -                     | \$ -                | \$ 5,187.2          | \$ 5,400.1          |
| Public safety                                  | 32,900.9                | 31,887.8           | -                        | -                   | 32,900.9            | 31,887.8            |
| Public works                                   | 4,406.5                 | 4,660.2            | -                        | -                   | 4,406.5             | 4,660.2             |
| Recreation and culture                         | 2,071.6                 | 1,805.6            | -                        | -                   | 2,071.6             | 1,805.6             |
| 41- B District Court                           | 1,644.9                 | 2,222.5            | -                        | -                   | 1,644.9             | 2,222.5             |
| Interest on long-term debt                     | 1,352.6                 | 1,004.9            | -                        | -                   | 1,352.6             | 1,004.9             |
| Water and sewer                                | -                       | -                  | 19,275.2                 | 16,632.6            | 19,275.2            | 16,632.6            |
| Senior housing                                 | -                       | -                  | 1,432.2                  | 1,411.4             | 1,432.2             | 1,411.4             |
| Sanitation                                     | -                       | -                  | 3,747.7                  | 3,942.2             | 3,747.7             | 3,942.2             |
| Special assessments                            | -                       | -                  | 37.3                     | 274.2               | 37.3                | 274.2               |
| Total program expenses                         | 47,563.7                | 46,981.1           | 24,492.4                 | 22,260.4            | 72,056.1            | 69,241.5            |
| <b>Change in Net Assets - Before transfers</b> | 7,549.6                 | 2,462.0            | 3,792.7                  | 5,948.3             | 11,342.3            | 8,410.3             |
| <b>Transfers</b>                               | 477.6                   | 282.9              | (477.6)                  | (282.9)             | -                   | -                   |
| <b>Change in Net Assets</b>                    | 8,027.2                 | 2,744.9            | 3,315.1                  | 5,665.4             | 11,342.3            | 8,410.3             |
| <b>Net Assets - Beginning of year</b>          | 46,525.9                | 43,781.0           | 111,409.1                | 105,743.7           | 157,935.0           | 149,524.7           |
| <b>Net Assets - End of year</b>                | <u>\$ 54,553.1</u>      | <u>\$ 46,525.9</u> | <u>\$ 114,724.2</u>      | <u>\$ 111,409.1</u> | <u>\$ 169,277.3</u> | <u>\$ 157,935.0</u> |

State-shared revenue, our second largest source of general government revenues, continued to be reduced by the State of Michigan. The amount received from the State during the 2007 fiscal year was approximately \$2,300,000 less than the Township received in the 2002 fiscal year. The Township reacted by leaving vacant the positions cut from previous budgets and keeping non-personnel related expenditures to a minimum. The continued sluggishness of the State's economy continues to directly impact revenue-sharing payments. The Township realizes that there are no guarantees that further revenue-sharing cuts will not be made as the State continues to struggle with its own budget difficulties.

Governmental activities include those activities accounted for in the following funds:

|                                      |                                       |
|--------------------------------------|---------------------------------------|
| General Fund                         | Fire Fund                             |
| Capital Improvement Revolving Fund   | Police Fund                           |
| Community Development Block Fund     | Drainage Fund                         |
| Drug Forfeiture Fund                 | Postemployment Benefit Fund           |
| Building Authority                   | Street Lighting Fund                  |
| Fire Facility Capital Projects Fund  | Police Facility Debt Service Fund     |
| 41-B District Court Capital Projects | 41-B District Court Debt Service Fund |

Such activities include those of the Township's police and fire departments, public works, recreation, building, planning, assessing, and administrative departments.

Property taxes are the primary source of revenue for the governmental activities, providing approximately 68 percent of the total. State-shared revenue provides another 14 percent, user charges and grants provide 13 percent, leaving just 5 percent being provided by all other sources.

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

Until the 2002-2003 fiscal year, the Township's governmental activities enjoyed decades of financial prosperity with annual revenues normally exceeding expenditures. Subsequently, the Township was affected by a national economic downturn and State of Michigan budget shortfalls that exceeded \$1 billion. The Township continues to be affected by a state economy that has failed to recover from the downturn and the inability of the State of Michigan to improve its budget shortfalls. For more information on how these economic factors are expected to affect the Township, see the section entitled Economic Factors and Future Budgets.

Specific details of how these economic conditions affected specific Township funds can be found in the fund-based financial statements section, which follows.

Business-type activities are accounted for in the Township's Water and Sewer, Sanitation, Senior Housing, and Special Assessment Funds.

The Township's Water and Sewer Fund's financial performance has been sound for decades. The Township purchases 99 percent of its water from the City of Detroit and sewage treatment services are also provided by the City of Detroit through an operating agreement with the County of Macomb. The Township has adopted the policy of annually reviewing its water and sewer rates and passing along cost increases, including increases received from Detroit, to its customers. Despite this policy, the Township maintains water and sewer rates that are very competitive with neighboring communities. The system has enjoyed steady growth, ongoing and aggressive maintenance, and sound coverage of its debt.

Highlights related to other business-type activity funds can be found in the fund-based financial statements section, which follows.

### **Fund-based Financial Statements**

The fund-based financial statements provide detailed information about individual significant funds created by the Township to help segregate money for specific purposes as well as to show accountability for certain activities. While the government-wide financial statements attempt to give the reader a simple overview of the Township's finances, to achieve a more complete understanding it is necessary to consider matters such as tax assessments or fund balances that are restricted, either by law or policy, to certain activities or funds. Users of this financial report will best achieve this understanding from the fund-based statements.

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

### **Financial and Budgetary Highlights**

**General Fund** - When preparing the 2007 budget and over the course of the year, the Township Board and administration continued to look for areas to trim expenditures. The originally adopted 2007 budget was balanced by removing seven positions in the General Fund which were vacant through attrition. A subsidy of \$2,276,413 was made to the Police Fund to allow that fund to secure an adequate fund balance. A subsidy in the coming years will not be necessary due to the 1.5 operating millage that was approved by the voters in August 2006. The newly vacant positions and careful spending resulted in a favorable budget variance at year end of approximately \$450,000. The Township Board and administration realize the importance of keeping the fund balance in conformity with sound financial principles, especially given the state of the economy, and have passed the fiscal year 2008 budget with approximately \$300,000 being added to fund balance.

Beginning July 1, 2006, the Township entered into an agreement with the City of Mount Clemens and Harrison Township for the management, operation, and establishment of a common fund for the 41-B District Court. Since July 1, 2006, Court operations are reflected in this common fund, which is not included in these financial statements. Each local community's common fund, building equity, and related bond debt shall be equal to the percentage of the number of case filings generated by that local community during the applicable period. Currently, Clinton Township's share is 54 percent. On August 1, 2006, \$13,500,000 of Township General Obligation Limited Tax Capital Improvement Bonds were issued for the construction of a new court building which will be located in Clinton Township. It is intended that debt service obligations for these bonds will be paid by the Court from its revenues.

Due to the joint operating agreement, the 2007 General Fund financial statements include only three months of activity (April-June 2006) related to the 41-B District Court. Also reflected in these statements are two new funds which were established during the year: the Court Building Capital Projects Fund to account for the construction of the new court building, and the Court Building Debt Service Fund to account for the debt service for the \$13,500,000 general obligation bonds.

**Police Fund** - In August 2006, the voters approved a 20-year, 1.5 operating mill for the operation and maintenance of the police department. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As was previously stated, this mill generated an additional \$4,661,000 in the Police Fund. This additional revenue, along with the \$2,276,413 subsidy from the General Fund, resulted in a favorable budget variance at year end of \$5,301,891. This variance was necessary in order to bring the Police Fund balance in conformity with sound financial principles, and to fund nine months of operations prior to the January 1, 2008 tax levy date.

The Police Fund is currently being supported by a 5-mill special assessment levy and the additional 1.5 mill operating levy. The additional revenues will allow the police department to maintain a staffing level of 110 sworn personnel.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

**Fire Fund** - The Fire Fund is supported by a 4-mill special assessment operating levy and a voter approved 1-mill levy. This mill was approved for a 20-year period and was first levied on January 1, 2003. This mill is subject to both the Truth in Taxation and Headlee rollbacks. As a result of those rollbacks, the January 1, 2007 levy was reduced to .8914.

The Fire Fund ended the 2007 fiscal year with a favorable budget variance of approximately \$500,000. As with the Police Fund, this was necessary in order to bring the Fire Fund balance in conformity with sound financial principles, and to fund nine months of operations prior to the January 1, 2008 tax levy date.

The fire department has undertaken projects to expand to a fifth station and to rebuild the oldest station, Station 1. To fund these projects, the Township issued \$8,500,000 of general obligation bonds. The proceeds from these bonds were placed in the Fire Facility Capital Projects Fund, for use in paying the related construction and equipment costs. Station 1 was completed during the 2007 fiscal year, and renovations are taking place on Stations 2 and 3.

**Senior Housing Fund** - The Senior Housing Fund accounts for the operation of Heritage Estates, a 312-unit apartment complex. The Township has contracted with an outside management company to act as a leasing agent and oversee daily operations, including an activity center for use by tenants.

The apartment complex is designed primarily for independent, middle-income seniors. The complex includes 186 one-bedroom and 126 two-bedroom apartments with monthly rents currently set at \$450 and \$530, respectively.

Operations of this complex are not subsidized from any other Township sources.

**Sanitation Fund** - The Sanitation Fund accounts for the collection and disposal of trash, recyclables, and compost materials. Except for the billing of customers, virtually all sanitation activity is completed by outside contractors. Although all residential commercial and industrial customers have the option of opting out of the municipal system, this option has generally not been taken by residential customers but has been increasingly used by business customers.

Currently, single-family sanitation customers pay \$10.50 per month. Residential customers pay approximately 75 percent of total rubbish charges collected. The rates Clinton Township charges have not been adjusted since February 1, 2001.

Although the Sanitation Fund had an operating loss of \$76,458 during the fiscal year, the value of the Township's equity in the Grosse Pointes Clinton Authority, a joint venture between Clinton Township, Grosse Pointe City, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe Shores, Grosse Pointe Woods, Harper Woods, and Mount Clemens, increased by \$31,075. These items, as well as interest income of \$38,477, resulted in a decrease of \$6,906 in net assets of the Sanitation Fund.

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

The Township's investment in capital assets devoted to its governmental activities increased by approximately \$3,753,500 during the fiscal year. This increase resulted from the Court building construction charges, Fire Stations 2 and 3 renovation charges, senior citizens building addition and renovation charges, equipment purchased with federal grants, and other miscellaneous additions.

During the year, the Township had three additional bond issuances. Included in the long-term debt for governmental activities are the 4I-B District Court General Obligation Bonds, which were issued for the construction and furnishing of the new court building previously discussed. Included in the long-term debt for business-type activities are Water Supply and Sewage Disposal System Revenue Bonds for acquiring and constructing additions, extensions and improvements to the Township's Water Supply and Sewage Disposal System, and Special Assessment Limited Tax Bonds for the purpose of defraying the cost of public improvements in certain Special Assessment Districts in the Township.

As of March 31, 2007, the Township had approximately \$158,510,000, net of accumulated depreciation, invested in a broad range of capital assets including buildings, vehicles, equipment, and water and sewer lines.

### **Economic Factors and Future Budgets**

As indicated earlier, property taxes and state revenue-sharing comprise 82 percent of Clinton Township's governmental activity revenue. During recent years, governmental activities have struggled to keep a balanced budget since revenues, lead by property taxes and state-shared revenues, could not keep pace with increases in expenditures such as health care, utilities, and gasoline.

The additional 1.5 mills approved by our voters in August for the police department resulted in an additional \$4,661,000 collected on the 2006 winter tax bills. This was a major factor in balancing the 2007 budget and will help balance budgets in future years. As stated above, state-shared revenue continues to be cut by the State as it continues to struggle with its own budget. Subsequently, the Township does not include any increases in state-shared revenues when preparing its three-year projections.

# **Charter Township of Clinton**

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## **Management's Discussion and Analysis (Continued)**

The Township continues to operate with relatively low personnel costs. The General and Police Funds employ 17 less employees than they did in 2003 due to an efficient labor force. New labor contracts have been negotiated with health care savings. The Township has been studying different options to reduce health care and retiree health care costs in the future and is considering additional options for more savings in future contract negotiations. The Township's pension systems contain funding ratios of 88 percent for MERS pension system and 98.5 percent for the Fire and Police Pension system. The Township now contributes 15 percent of payroll to fund retiree health care costs, of which approximately 1/2 is for future retiree medical costs. Based on a recently completed postretirement health insurance cost, accrued liabilities are approximately 18 percent funded. The Township continues to investigate potential new revenue opportunities and will continue to monitor and adjust expenditures to the revenue base in order to ensure adequate fund balance reserves.

The Township purchases water and sewage disposal services from the City of Detroit. Historically, the Township has passed Detroit water and sewer rate increases to its customers and expects to continue doing so. The Township prides itself on having one of the lowest combined water and sewer rates of its surrounding communities. The Township continues to work to ensure that Clinton Township retains the lowest rates in the area.

# Charter Township of Clinton

## Statement of Net Assets March 31, 2007

|  | Primary Government         |                             |                | Component<br>Units |
|--|----------------------------|-----------------------------|----------------|--------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total          |                    |
| <b>Assets</b>                                    |                            |                             |                |                    |
| Cash and investments (Note 2)                    | \$ 37,904,363              | \$ 21,101,639               | \$ 59,006,002  | \$ 467,048         |
| Receivables:                                     |                            |                             |                |                    |
| Customers  | 42,773                     | 3,339,379                   | 3,382,152      | -                  |
| Taxes - Net of reserve for uncollectible taxes   | 2,989,969                  | -                           | 2,989,969      | -                  |
| Interest   | 183,485                    | -                           | 183,485        | -                  |
| Special assessments - Current                    | -                          | 79,210                      | 79,210         | -                  |
| Other  | 612,902                    | 53,520                      | 666,422        | -                  |
| Due from other governmental units                | 8,153,974                  | 179,863                     | 8,333,837      | -                  |
| Internal balances (Note 4)                       | 528,127                    | (528,127)                   | -              | -                  |
| Investment in joint venture (Note 13)            | -                          | 675,671                     | 675,671        | -                  |
| Inventories                                      | -                          | 243,225                     | 243,225        | -                  |
| Prepaid costs and other                          | 853,493                    | 36,901                      | 890,394        | -                  |
| Restricted assets (Note 6)                       | 10,797,223                 | 1,531,300                   | 12,328,523     | -                  |
| Special assessments - Net of current portion     | -                          | 1,694,136                   | 1,694,136      | -                  |
| Capital assets:                                  |                            |                             |                |                    |
| Not depreciated (Note 3)                         | 3,311,611                  | 5,260,227                   | 8,571,838      | -                  |
| Depreciated - Net (Note 3)                       | 36,422,648                 | 113,610,658                 | 150,033,306    | -                  |
| Total assets                                     | 101,800,568                | 147,277,602                 | 249,078,170    | 467,048            |
| <b>Liabilities</b>                               |                            |                             |                |                    |
| Vouchers payable                                 | 2,101,807                  | 1,603,695                   | 3,705,502      | 700                |
| Accrued and other liabilities                    | 2,840,515                  | 485,241                     | 3,325,756      | -                  |
| Deferred revenue                                 | 4,270,363                  | -                           | 4,270,363      | -                  |
| Refundable bonds and deposits                    | -                          | 462,599                     | 462,599        | -                  |
| Noncurrent liabilities (Note 5):                 |                            |                             |                |                    |
| Due within one year                              | 2,539,435                  | 2,023,328                   | 4,562,763      | -                  |
| Due in more than one year                        | 35,495,344                 | 27,978,576                  | 63,473,920     | -                  |
| Total liabilities                                | 47,247,464                 | 32,553,439                  | 79,800,903     | 700                |
| <b>Net Assets</b>                                |                            |                             |                |                    |
| Invested in capital assets - Net of related debt | 16,419,568                 | 91,580,324                  | 107,999,892    | -                  |
| Restricted:                                      |                            |                             |                |                    |
| Fire department services                         | 13,014,537                 | -                           | 13,014,537     | -                  |
| Police department services                       | 14,196,207                 | -                           | 14,196,207     | -                  |
| Street light services                            | 570,393                    | -                           | 570,393        | -                  |
| Drug forfeiture activities                       | 391,128                    | -                           | 391,128        | -                  |
| Construction                                     | 9,680,554                  | -                           | 9,680,554      | -                  |
| Debt service                                     | 280,717                    | 279,154                     | 559,871        | -                  |
| Bond covenants (Note 6)                          | -                          | 1,531,300                   | 1,531,300      | -                  |
| Unrestricted                                     | -                          | 21,333,385                  | 21,333,385     | 466,348            |
| Total net assets                                 | \$ 54,553,104              | \$ 114,724,163              | \$ 169,277,267 | \$ 466,348         |

# Charter Township of Clinton

|                                       | Program Revenues            |                             |  |                                     |
|---------------------------------------|-----------------------------|-----------------------------|--|-------------------------------------|
|                                       | Expenses                    | Charges for<br>Services     | Operating Grants<br>and<br>Contributions | Capital Grants<br>and Contributions |
| <b>Functions/Programs</b>             |                             |                             |  |                                     |
| Primary government:                   |                             |                             |  |                                     |
| Governmental activities:              |                             |                             |  |                                     |
| General government                    | \$ 5,187,238                | \$ 1,481,794                | \$ 2,112,844                             | \$ -                                |
| Public safety                         | 32,900,884                  | 784,911                     | 265,479                                  | 34,454                              |
| Public works                          | 4,406,502                   | 923,144                     | -  | -                                   |
| Recreation and senior activities      | 2,071,585                   | 446,970                     | -  | -                                   |
| 41-B District Court                   | 1,644,878                   | 984,424                     | -  | -                                   |
| Interest on long-term debt            | 1,352,628                   | -                           | -  | -                                   |
| Total governmental activities         | 47,563,715                  | 4,621,243                   | 2,378,323                                | 34,454                              |
| Business-type activities:             |                             |                             |  |                                     |
| Water and sewer                       | 19,275,231                  | 20,587,931                  | -  | -                                   |
| Senior housing                        | 1,432,178                   | 1,840,013                   | -  | -                                   |
| Sanitation                            | 3,747,636                   | 3,671,178                   | -  | -                                   |
| Special assessments                   | 37,296                      | 958,133                     | -  | -                                   |
| Total business-type activities        | 24,492,341                  | 27,057,255                  | -  | -                                   |
| Total primary government              | <u><u>\$ 72,056,056</u></u> | <u><u>\$ 31,678,498</u></u> | <u><u>\$ 2,378,323</u></u>               | <u><u>\$ 34,454</u></u>             |
| Component units:                      |                             |                             |  |                                     |
| Economic Development Corporation      | \$ 4,594                    | \$ -                        | \$ -                                     | \$ -                                |
| Downtown Development Authority        | 4,720                       | -                           | -  | -                                   |
| Total component units                 | <u><u>\$ 9,314</u></u>      | <u><u>\$ -</u></u>          | <u><u>\$ -</u></u>                       | <u><u>\$ -</u></u>                  |
| General revenues:                     |                             |                             |  |                                     |
| Property taxes                        |                             |                             |  |                                     |
| State-shared revenues                 |                             |                             |  |                                     |
| Interest and investment earnings      |                             |                             |  |                                     |
| Miscellaneous                         |                             |                             |  |                                     |
| Transfers                             |                             |                             |  |                                     |
| Total general revenues                |                             |                             |  |                                     |
| <b>Change in Net Assets</b>           |                             |                             |  |                                     |
| <b>Net Assets</b> - Beginning of year |                             |                             |  |                                     |
| <b>Net Assets</b> - End of year       |                             |                             |  |                                     |



**Statement of Activities**  
**Year Ended March 31, 2007**

| Net (Expense) Revenue and Changes in Net Assets |                             |                       |                    |
|---|-----------------------------|-----------------------|--------------------|
| Primary Government                              |                             |                       | Component<br>Units |
| Governmental<br>Activities                      | Business-type<br>Activities | Total                 |                    |
| \$ (1,592,600)                                  | \$ -                        | \$ (1,592,600)        | \$ -               |
| (31,816,040)                                    | -                           | (31,816,040)          | -                  |
| (3,483,358)                                     | -                           | (3,483,358)           | -                  |
| (1,624,615)                                     | -                           | (1,624,615)           | -                  |
| (660,454)                                       | -                           | (660,454)             | -                  |
| (1,352,628)                                     | -                           | (1,352,628)           | -                  |
| (40,529,695)                                    | -                           | (40,529,695)          | -                  |
| -   | 1,312,700                   | 1,312,700             | -                  |
| -   | 407,835                     | 407,835               | -                  |
| -   | (76,458)                    | (76,458)              | -                  |
| -   | 920,837                     | 920,837               | -                  |
| -   | 2,564,914                   | 2,564,914             | -                  |
| (40,529,695)                                    | 2,564,914                   | (37,964,781)          | -                  |
| -   | -                           | -                     | (4,594)            |
| -   | -                           | -                     | (4,720)            |
| -   | -                           | -                     | (9,314)            |
| 37,451,184                                      | -                           | 37,451,184            | 153,164            |
| 7,899,040                                       | -                           | 7,899,040             | -                  |
| 1,518,412                                       | 1,069,159                   | 2,587,571             | 17,553             |
| 1,210,644                                       | 158,575                     | 1,369,219             | 2,000              |
| 477,598   | (477,598)                   | -                     | -                  |
| 48,556,878                                      | 750,136                     | 49,307,014            | 172,717            |
| 8,027,183                                       | 3,315,050                   | 11,342,233            | 163,403            |
| 46,525,921                                      | 111,409,113                 | 157,935,034           | 302,945            |
| <b>\$ 54,553,104</b>                            | <b>\$ 114,724,163</b>       | <b>\$ 169,277,267</b> | <b>\$ 466,348</b>  |

# Charter Township of Clinton

## Governmental Funds Balance Sheet March 31, 2007

|                                      | Major Special Revenue Funds |                      |                      | Major Debt<br>Service Fund             | Major Capital<br>Project Fund             | Other Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|-----------------------------|----------------------|----------------------|--|---|---|--------------------------------|
|                                      | General<br>Fund             | Fire<br>Fund         | Police<br>Fund       | Court Building<br>Debt Service<br>Fund | Court Building<br>Capital Project<br>Fund |   |                                |
| <b>Assets</b>                        |                             |                      |                      |  |   |   |                                |
| Cash and investments (Note 2)        | \$ 5,755,022                | \$ 12,228,698        | \$ 14,364,431        | \$ -                                   | \$ -                                      | \$ 5,556,212                            | \$ 37,904,363                  |
| Receivables:                         |                             |                      |                      |  |   |   |                                |
| Taxes                                | 393,434                     | 1,083,546            | 1,439,899            | -                                      | -   | 73,090                                  | 2,989,969                      |
| Customers                            | -                           | -                    | -                    | -                                      | -   | 42,773                                  | 42,773                         |
| Interest                             | 183,485                     | -                    | -                    | -                                      | -   | -                                       | 183,485                        |
| Other                                | 188,808                     | -                    | 174,497              | -                                      | -   | 249,597                                 | 612,902                        |
| Restricted assets (Note 6)           | -                           | -                    | -                    | -                                      | 10,797,223                                | -                                       | 10,797,223                     |
| Due from other funds (Note 4)        | 593,633                     | -                    | -                    | -                                      | 300                                       | 86,414                                  | 680,347                        |
| Due from other governmental units    | 1,788,404                   | -                    | -                    | 6,187,300                              | -   | 178,270                                 | 8,153,974                      |
| Prepaid costs and other              | 219,420                     | 91,524               | 132,997              | -                                      | -   | 170,542                                 | 614,483                        |
| Total assets                         | <u>\$ 9,122,206</u>         | <u>\$ 13,403,768</u> | <u>\$ 16,111,824</u> | <u>\$ 6,187,300</u>                    | <u>\$ 10,797,523</u>                      | <u>\$ 6,356,898</u>                     | <u>\$ 61,979,519</u>           |
| <b>Liabilities and Fund Balances</b> |                             |                      |                      |  |   |   |                                |
| <b>Liabilities</b>                   |                             |                      |                      |  |   |   |                                |
| Vouchers payable                     | \$ 348,710                  | \$ 226,987           | \$ 207,292           | \$ -                                   | \$ 1,116,969                              | \$ 201,849                              | \$ 2,101,807                   |
| Accrued and other liabilities        | 345,128                     | 162,244              | 1,084,840            | -                                      | -   | 1,500                                   | 1,593,712                      |
| Due to other funds (Note 4)          | 71,727                      | -                    | -                    | 300                                    | -   | 80,193                                  | 152,220                        |
| Deferred revenue                     | 584,829                     | -                    | 40,753               | 6,187,000                              | -   | -                                       | 6,812,582                      |
| Total liabilities                    | 1,350,394                   | 389,231              | 1,332,885            | 6,187,300                              | 1,116,969                                 | 283,542                                 | 10,660,321                     |
| <b>Fund Balances</b>                 |                             |                      |                      |  |   |   |                                |
| Reserved for prepaid costs           | 117,870                     | 91,524               | 132,997              | -                                      | -   | 170,542                                 | 512,933                        |
| Unreserved:                          |                             |                      |                      |  |   |   |                                |
| Designated, reported in:             |                             |                      |                      |  |   |   |                                |
| General Fund (Note 9)                | 3,809,500                   | -                    | -                    | -                                      | -   | -                                       | 3,809,500                      |
| Special Revenue Funds (Note 9)       | -                           | 12,923,013           | 14,645,942           | -                                      | 9,680,554                                 | 429,870                                 | 37,679,379                     |
| Debt Service Funds (Note 9)          | -                           | -                    | -                    | -                                      | -   | 64,338                                  | 64,338                         |
| Undesignated, reported in:           |                             |                      |                      |  |   |   |                                |
| General Fund                         | 3,844,442                   | -                    | -                    | -                                      | -   | -                                       | 3,844,442                      |
| Special Revenue Funds                | -                           | -                    | -                    | -                                      | -   | 5,150,178                               | 5,150,178                      |
| Debt Service Funds                   | -                           | -                    | -                    | -                                      | -   | 258,428                                 | 258,428                        |
| Total fund balances                  | <u>7,771,812</u>            | <u>13,014,537</u>    | <u>14,778,939</u>    | <u>-</u>                               | <u>9,680,554</u>                          | <u>6,073,356</u>                        | <u>51,319,198</u>              |
| Total liabilities and fund balances  | <u>\$ 9,122,206</u>         | <u>\$ 13,403,768</u> | <u>\$ 16,111,824</u> | <u>\$ 6,187,300</u>                    | <u>\$ 10,797,523</u>                      | <u>\$ 6,356,898</u>                     | <u>\$ 61,979,519</u>           |

# Charter Township of Clinton

## **Governmental Funds** **Reconciliation of Fund Balances to the Statement of Net Assets** **Year Ended March 31, 2007**

|   |                             |
|---|-----------------------------|
| <b>Fund Balances - Total Governmental Funds</b>   | <b>\$ 51,319,198</b>        |
| Amounts reported for governmental activities in the statement of activities are different because:                        |                             |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds              | 37,874,117                  |
| Infrastructure assets used in governmental activities are not financial resources and are not reported in the funds       | 1,860,142                   |
| Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures | 2,542,219                   |
| Accrued workers' compensation liability not reported in the governmental funds  | (1,185,043)                 |
| Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:       |                             |
| Notes and bonds payable   | (34,111,914)                |
| Compensated absences  | (3,922,865)                 |
| Debt issuance cost are treated as an expenditure in the current period and are not reported in the governmental funds     | 239,010                     |
| Accrued interest payable is not included as a liability in the governmental funds   | <u>(61,760)</u>             |
| <b>Net Assets of Governmental Activities</b>  | <b><u>\$ 54,553,104</u></b> |

# Charter Township of Clinton

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2007

|  | Major Special Revenue Funds |                      |                      | Major Debt<br>Service Fund     | Major Capital<br>Project Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------------------|----------------------|----------------------|--------------------------------|-------------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund             | Fire<br>Fund         | Police<br>Fund       | Court Building<br>Debt Service | Court Building                |                                |                                |
| <b>Revenue</b>                           |                             |                      |                      |                                |                               |                                |                                |
| Property taxes                           | \$ 2,387,574                | \$ 14,510,162        | \$ 19,338,641        | \$ -                           | \$ -                          | \$ 1,358,128                   | \$ 37,594,505                  |
| Licenses and permits                     | 1,291,391                   | -                    | 57,886               | -                              | -                             | -                              | 1,349,277                      |
| Special assessments                      | -                           | -                    | -                    | -                              | -                             | 50,185                         | 50,185                         |
| Federal sources                          | 986,986                     | -                    | 61,845               | -                              | -                             | 731,758                        | 1,780,589                      |
| State sources                            | 8,013,398                   | -                    | 238,088              | -                              | -                             | -                              | 8,251,486                      |
| Interest                                 | 430,445                     | 375,251              | -                    | -                              | 401,567                       | 267,537                        | 1,474,800                      |
| Fines and forfeitures                    | 714,928                     | -                    | -                    | -                              | -                             | -                              | 714,928                        |
| Other revenue                            | 2,496,591                   | 14,209               | 752,410              | 440,800                        | -                             | 264,812                        | 3,968,822                      |
| Total revenue                            | 16,321,313                  | 14,899,622           | 20,448,870           | 440,800                        | 401,567                       | 2,672,420                      | 55,184,592                     |
| <b>Expenditures</b>                      |                             |                      |                      |                                |                               |                                |                                |
| Current:                                 |                             |                      |                      |                                |                               |                                |                                |
| General government                       | 5,327,028                   | -                    | -                    | -                              | -                             | 1,024,489                      | 6,351,517                      |
| Public safety                            | 1,442,164                   | 13,753,107           | 17,548,392           | -                              | -                             | 1,039,655                      | 33,783,318                     |
| Public works                             | 3,907,032                   | -                    | -                    | -                              | -                             | 686,651                        | 4,593,683                      |
| Recreation and senior activities         | 2,067,261                   | -                    | -                    | -                              | -                             | -                              | 2,067,261                      |
| District Court                           | 533,546                     | -                    | -                    | -                              | 3,972,044                     | -                              | 4,505,590                      |
| Debt service:                            |                             |                      |                      |                                |                               |                                |                                |
| Principal                                | -                           | 225,000              | -                    | 50,000                         | -                             | 894,705                        | 1,169,705                      |
| Interest                                 | -                           | 312,688              | -                    | 390,800                        | 248,969                       | 644,623                        | 1,597,080                      |
| Total expenditures                       | 13,277,031                  | 14,290,795           | 17,548,392           | 440,800                        | 4,221,013                     | 4,290,123                      | 54,068,154                     |
| <b>Excess of Revenue Over (Under)</b>    |                             |                      |                      |                                |                               |                                |                                |
| <b>Expenditures</b>                      | 3,044,282                   | 608,827              | 2,900,478            | -                              | (3,819,446)                   | (1,617,703)                    | 1,116,438                      |
| <b>Other Financing Sources (Uses)</b>    |                             |                      |                      |                                |                               |                                |                                |
| Proceeds from issuance of bonds          | -                           | -                    | -                    | -                              | 13,500,000                    | -                              | 13,500,000                     |
| Transfers in (Note 4)                    | -                           | -                    | 2,276,413            | -                              | -                             | 445,828                        | 2,722,241                      |
| Transfers out (Note 4)                   | (2,596,431)                 | (111,123)            | -                    | -                              | -                             | -                              | (2,707,554)                    |
| Total other financing sources (uses)     | (2,596,431)                 | (111,123)            | 2,276,413            | -                              | 13,500,000                    | 445,828                        | 13,514,687                     |
| <b>Net Change in Fund Balances</b>       | 447,851                     | 497,704              | 5,176,891            | -                              | 9,680,554                     | (1,171,875)                    | 14,631,125                     |
| <b>Fund Balances - Beginning of year</b> | 7,323,961                   | 12,516,833           | 9,602,048            | -                              | -                             | 7,245,231                      | 36,688,073                     |
| <b>Fund Balances - End of year</b>       | <u>\$ 7,771,812</u>         | <u>\$ 13,014,537</u> | <u>\$ 14,778,939</u> | <u>\$ -</u>                    | <u>\$ 9,680,554</u>           | <u>\$ 6,073,356</u>            | <u>\$ 51,319,198</u>           |

# Charter Township of Clinton

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2007**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 14,631,125**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

|                      |                  |           |
|----------------------|------------------|-----------|
| Depreciation expense | \$ (2,288,369)   |           |
| Capital outlay       | <u>5,770,986</u> | 3,482,617 |

|   |           |
|---|-----------|
| Revenue reported in the statement of activities related to the court building activity that does not provide current financial resources is not reported as revenue in governmental funds | 1,962,421 |
|---|-----------|

|  |           |
|--|-----------|
| Losses recognized on the sale of capital assets, arising from differences between sales proceeds and book value of assets are not recorded in governmental funds | (125,446) |
|--|-----------|

|  |         |
|--|---------|
| Infrastructure assets constructed by Special Assessment Enterprise Fund and transferred to governmental activities | 462,911 |
|--|---------|

|   |              |
|---|--------------|
| Bond proceeds are other financing sources in the governmental funds, but not in the statement of activities | (13,500,000) |
|---|--------------|

|  |        |
|--|--------|
| Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds | 10,543 |
|--|--------|

|  |         |
|--|---------|
| Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid | 244,452 |
|--|---------|

|   |           |
|---|-----------|
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 1,169,705 |
|---|-----------|

|  |           |
|--|-----------|
| Increase in accumulated workers' compensation is recorded when earned in the statement of activities | (259,116) |
|--|-----------|

|   |                 |
|---|-----------------|
| Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities | <u>(52,029)</u> |
|---|-----------------|

**Change in Net Assets of Governmental Activities** **\$ 8,027,183**

# Charter Township of Clinton

## Proprietary Funds Statement of Net Assets March 31, 2007

|  | Major Funds             |                        |                 |                            |                           |
|--|-------------------------|------------------------|-----------------|----------------------------|---------------------------|
|  | Water and<br>Sewer Fund | Senior Housing<br>Fund | Sanitation Fund | Special<br>Assessment Fund | Total Enterprise<br>Funds |
| <b>Assets</b>                                      |                         |                        |                 |                            |                           |
| Current assets:                                    |                         |                        |                 |                            |                           |
| Cash and cash equivalents (Note 2)                 | \$ 18,633,682           | \$ 703,014             | \$ 677,816      | \$ 1,087,127               | \$ 21,101,639             |
| Receivables:                                       |                         |                        |                 |                            |                           |
| Customers  | 2,667,961               | -                      | 671,418         | -                          | 3,339,379                 |
| Special assessments                                | -                       | -                      | -               | 79,210                     | 79,210                    |
| Other  | 53,520                  | -                      | -               | -                          | 53,520                    |
| Investment in joint venture (Note 12)              | -                       | -                      | 675,671         | -                          | 675,671                   |
| Due from other funds (Note 4)                      | -                       | -                      | 40,737          | 1,000                      | 41,737                    |
| Due from other governmental units                  | 179,863                 | -                      | -               | -                          | 179,863                   |
| Inventories  | 243,225                 | -                      | -               | -                          | 243,225                   |
| Prepaid costs                                      | 36,901                  | -                      | -               | -                          | 36,901                    |
| Total current assets                               | 21,815,152              | 703,014                | 2,065,642       | 1,167,337                  | 25,751,145                |
| Noncurrent assets:                                 |                         |                        |                 |                            |                           |
| Restricted assets (Notes 2 and 6)                  | 1,531,300               | -                      | -               | -                          | 1,531,300                 |
| Special assessments - Net of current portion       | -                       | -                      | -               | 1,694,136                  | 1,694,136                 |
| Capital assets - Net (Note 3)                      | 107,279,029             | 11,551,062             | 40,794          | -                          | 118,870,885               |
| Total noncurrent assets                            | 108,810,329             | 11,551,062             | 40,794          | 1,694,136                  | 122,096,321               |
| Total assets                                       | 130,625,481             | 12,254,076             | 2,106,436       | 2,861,473                  | 147,847,466               |
| <b>Liabilities</b>                                 |                         |                        |                 |                            |                           |
| Current liabilities:                               |                         |                        |                 |                            |                           |
| Vouchers payable                                   | 1,220,889               | -                      | 318,774         | 64,032                     | 1,603,695                 |
| Accrued and other liabilities                      | 264,919                 | 200,439                | -               | 19,883                     | 485,241                   |
| Due to other funds (Note 4)                        | 546,460                 | -                      | -               | 23,404                     | 569,864                   |
| Current portion of long-term debt (Note 5)         | 970,903                 | 582,425                | -               | 470,000                    | 2,023,328                 |
| Total current liabilities                          | 3,003,171               | 782,864                | 318,774         | 577,319                    | 4,682,128                 |
| Noncurrent liabilities:                            |                         |                        |                 |                            |                           |
| Refundable bonds and deposits                      | 318,099                 | 144,500                | -               | -                          | 462,599                   |
| Long-term debt - Net of current portion (Note 5)   | 17,092,911              | 8,880,665              | -               | 2,005,000                  | 27,978,576                |
| Total noncurrent liabilities                       | 17,411,010              | 9,025,165              | -               | 2,005,000                  | 28,441,175                |
| Total liabilities                                  | 20,414,181              | 9,808,029              | 318,774         | 2,582,319                  | 33,123,303                |
| <b>Net Assets</b>                                  |                         |                        |                 |                            |                           |
| Investment in capital assets - Net of related debt | 89,451,558              | 2,087,972              | 40,794          | -                          | 91,580,324                |
| Restricted for:                                    |                         |                        |                 |                            |                           |
| Bond covenants (Note 6)                            | 1,531,300               | -                      | -               | -                          | 1,531,300                 |
| Debt service                                       | -                       | -                      | -               | 279,154                    | 279,154                   |
| Unrestricted                                       | 19,228,442              | 358,075                | 1,746,868       | -                          | 21,333,385                |
| Total net assets                                   | \$ 110,211,300          | \$ 2,446,047           | \$ 1,787,662    | \$ 279,154                 | \$ 114,724,163            |

# Charter Township of Clinton

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2007

|  | Major Funds             |                        |                     |                            |                           |
|--|-------------------------|------------------------|---------------------|----------------------------|---------------------------|
|  | Water and<br>Sewer Fund | Senior Housing<br>Fund | Sanitation<br>Fund  | Special<br>Assessment Fund | Total Enterprise<br>Funds |
| <b>Operating Revenue</b>   |                         |                        |                     |                            |                           |
| Charges for sales and services   | \$ 19,955,708           | \$ -                   | \$ 3,669,708        | \$ 958,133                 | \$ 24,583,549             |
| Rent   | -                       | 1,804,344              | -                   | -                          | 1,804,344                 |
| Other  | 632,222                 | 35,669                 | 1,470               | -                          | 669,361                   |
| Total operating revenue  | 20,587,930              | 1,840,013              | 3,671,178           | 958,133                    | 27,057,254                |
| <b>Operating Expenses</b>  |                         |                        |                     |                            |                           |
| Cost of water and sewage disposal  | 11,442,526              | -                      | -                   | -                          | 11,442,526                |
| Operation and maintenance  | 1,062,462               | 628,914                | 3,747,636           | -                          | 5,439,012                 |
| General and administrative   | 2,056,324               | -                      | -                   | -                          | 2,056,324                 |
| Salaries and fringe benefits   | 4,351,494               | -                      | -                   | -                          | 4,351,494                 |
| Depreciation   | 3,262,619               | 302,944                | -                   | -                          | 3,565,563                 |
| Total operating expenses   | 22,175,425              | 931,858                | 3,747,636           | -                          | 26,854,919                |
| <b>Operating Income (Loss)</b>   | (1,587,495)             | 908,155                | (76,458)            | 958,133                    | 202,335                   |
| <b>Nonoperating Revenue (Expenses)</b>                                   |                         |                        |                     |                            |                           |
| Debt, capital charges, and tap fees                                      | 683,312                 | -                      | -                   | -                          | 683,312                   |
| Investment income  | 882,433                 | 21,618                 | 38,477              | 126,630                    | 1,069,158                 |
| Income from joint ventures   | -                       | -                      | 31,075              | -                          | 31,075                    |
| Proceeds from sale of asset  | 127,500                 | -                      | -                   | -                          | 127,500                   |
| Interest expense   | (565,867)               | (500,320)              | -                   | (149,690)                  | (1,215,877)               |
| Total nonoperating revenue<br>(expenses)                                 | 1,127,378               | (478,702)              | 69,552              | (23,060)                   | 695,168                   |
| <b>Income (Loss) - Before contributions and<br/>transfers</b>            | (460,117)               | 429,453                | (6,906)             | 935,073                    | 897,503                   |
| <b>Contributions from Developers and<br/>Other Funds</b>                 | 3,409,346               | -                      | -                   | (514,201)                  | 2,895,145                 |
| <b>Other Financing Sources (Uses)</b>                                    |                         |                        |                     |                            |                           |
| Transfers in from other funds (Note 4)                                   | -                       | -                      | -                   | 1,000                      | 1,000                     |
| Transfers out to other funds (Note 4)                                    | (1,000)                 | -                      | -                   | (14,687)                   | (15,687)                  |
| Transfers to governmental activities -<br>Infrastructure assets (Note 4) | -                       | -                      | -                   | (462,911)                  | (462,911)                 |
| Total other financing sources (uses)                                     | (1,000)                 | -                      | -                   | (476,598)                  | (477,598)                 |
| <b>Increase (Decrease) in Net Assets</b>                                 | 2,948,229               | 429,453                | (6,906)             | (55,726)                   | 3,315,050                 |
| <b>Net Assets - Beginning of year</b>                                    | 107,263,071             | 2,016,594              | 1,794,568           | 334,880                    | 111,409,113               |
| <b>Net Assets - End of year</b>  | <u>\$ 110,211,300</u>   | <u>\$ 2,446,047</u>    | <u>\$ 1,787,662</u> | <u>\$ 279,154</u>          | <u>\$ 114,724,163</u>     |

# Charter Township of Clinton

## Proprietary Funds Statement of Cash Flows Year Ended March 31, 2007

|   | Major Funds             |                     |                   |                            |                        |
|---|-------------------------|---------------------|-------------------|----------------------------|------------------------|
|   | Water and<br>Sewer Fund | Senior Housing Fund | Sanitation Fund   | Special Assessment<br>Fund | Total Enterprise Funds |
| <b>Cash Flows from Operating Activities</b>   |                         |                     |                   |                            |                        |
| Receipts from customers   | \$ 19,955,708           | \$ 1,804,344        | \$ 2,998,290      | \$ 958,133                 | \$ 25,716,475          |
| Payments to suppliers   | (10,221,637)            | (606,559)           | (2,979,822)       | (425,758)                  | (14,233,776)           |
| Payments to employees and benefit providers   | (8,893,970)             | -                   | -                 | -                          | (8,893,970)            |
| Net cash provided by operating activities   | 840,101                 | 1,197,785           | 18,468            | 532,375                    | 2,588,729              |
| <b>Cash Flows from Noncapital Financing Activities</b>                                  |                         |                     |                   |                            |                        |
| Funds advanced from other governmental units  | 63,803                  | -                   | -                 | -                          | 63,803                 |
| Transfer out  | (1,000)                 | -                   | -                 | (477,598)                  | (478,598)              |
| Transfer in   | -                       | -                   | -                 | 1,000                      | 1,000                  |
| Net cash provided by (used in) noncapital financing activities                          | 62,803                  | -                   | -                 | (476,598)                  | (413,795)              |
| <b>Cash Flows from Capital and Related Financing Activities</b>                         |                         |                     |                   |                            |                        |
| Collection of debt, capital charges, and tap fees                                       | 683,312                 | -                   | -                 | -                          | 683,312                |
| Contributions from developers and other funds   | -                       | -                   | -                 | (514,201)                  | (514,201)              |
| Proceeds from sale of assets  | 127,500                 | -                   | -                 | -                          | 127,500                |
| Proceeds from issuance of bonds   | 5,030,702               | -                   | -                 | 955,000                    | 5,985,702              |
| Principal, interest, and other costs paid on long-term debt                             | (1,290,867)             | (1,557,309)         | -                 | (639,691)                  | (3,487,867)            |
| Purchase of capital assets  | (3,617,676)             | -                   | (40,794)          | -                          | (3,658,470)            |
| Net cash provided by (used in) capital and related financing activities                 | 932,971                 | (1,557,309)         | (40,794)          | (198,892)                  | (864,024)              |
| <b>Cash Flows from Investing Activities</b>   |                         |                     |                   |                            |                        |
| Interest received on investments  | 882,433                 | 21,618              | 38,477            | 126,630                    | 1,069,158              |
| Purchase of investment securities   | (59,940,178)            | -                   | -                 | -                          | (59,940,178)           |
| Proceeds from sale and maturities of investment securities                              | 57,940,178              | -                   | -                 | -                          | 57,940,178             |
| Net cash provided by (used in) investing activities                                     | (1,117,567)             | 21,618              | 38,477            | 126,630                    | (930,842)              |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                             | 718,308                 | (337,906)           | 16,151            | (16,485)                   | 380,068                |
| <b>Cash and Cash Equivalents - Beginning of year</b>                                    | 15,590,674              | 1,040,920           | 661,665           | 1,103,612                  | 18,396,871             |
| <b>Cash and Cash Equivalents - End of year</b>  | <b>\$ 16,308,982</b>    | <b>\$ 703,014</b>   | <b>\$ 677,816</b> | <b>\$ 1,087,127</b>        | <b>\$ 18,776,939</b>   |
| <b>Balance Sheet Classification of Cash and Cash Equivalents</b>                        |                         |                     |                   |                            |                        |
| Cash and investments per balance sheet  | \$ 18,633,682           | \$ 703,014          | \$ 677,816        | \$ 1,087,127               | \$ 21,101,639          |
| Restricted cash and cash investments  | 1,531,300               | -                   | -                 | -                          | 1,531,300              |
| Less investments with original maturities in excess of three months                     | (3,856,000)             | -                   | -                 | -                          | (3,856,000)            |
| Total cash and cash equivalents   | <b>\$ 16,308,982</b>    | <b>\$ 703,014</b>   | <b>\$ 677,816</b> | <b>\$ 1,087,127</b>        | <b>\$ 18,776,939</b>   |
| <b>Cash Flows from Operating Activities</b>   |                         |                     |                   |                            |                        |
| Operating income (loss)   | \$ (1,587,495)          | \$ 908,155          | \$ (76,458)       | \$ 958,133                 | \$ 202,335             |
| Adjustments to reconcile operating income (loss) to net cash from operating activities: |                         |                     |                   |                            |                        |
| Depreciation  | 3,262,619               | 302,944             | -                 | -                          | 3,565,563              |
| Changes in assets and liabilities:  |                         |                     |                   |                            |                        |
| Accounts receivable   | (204,299)               | -                   | (21,905)          | (511,944)                  | (738,148)              |
| Prepaid and other assets  | 34,667                  | -                   | -                 | -                          | 34,667                 |
| Inventory   | (83,313)                | -                   | -                 | -                          | (83,313)               |
| Accounts payable  | 72,367                  | -                   | 39,944            | 30,515                     | 142,826                |
| Due to/from other funds   | (624,878)               | -                   | 76,887            | 22,404                     | (525,587)              |
| Accrued and other liabilities   | (29,567)                | (13,314)            | -                 | 33,267                     | (9,614)                |
| Net cash provided by operating activities   | <b>\$ 840,101</b>       | <b>\$ 1,197,785</b> | <b>\$ 18,468</b>  | <b>\$ 532,375</b>          | <b>\$ 2,588,729</b>    |
| <b>Significant Noncash Investing and Financing Transactions -</b>                       |                         |                     |                   |                            |                        |
| Contribution of capital assets from developers and other funds                          | <b>\$ 3,409,346</b>     | <b>\$ -</b>         | <b>\$ -</b>       | <b>\$ -</b>                | <b>\$ 3,409,346</b>    |



# Charter Township of Clinton

## Fiduciary Funds Statement of Net Assets March 31, 2007

|  | Pension and Other<br>Employee Benefit |                            |
|--|---------------------------------------|----------------------------|
|  | Trust Funds                           | Agency Funds               |
| <b>Assets</b>  |                                       |                            |
| Cash and cash equivalents  | \$ 3,180,378                          | \$ 1,126,603               |
| Common stock   | 57,503,543                            | -                          |
| U.S. Treasury notes  | 890,731                               | -                          |
| U.S. government agency securities  | 7,286,992                             | -                          |
| Corporate bonds  | 9,955,496                             | -                          |
| Money market funds   | 3,437,221                             | -                          |
| Bank investment pools  | 983,639                               | -                          |
| Mutual funds   | 27,750,556                            | -                          |
| Total  | 110,988,556                           | 1,126,603                  |
| Cash and investments held as collateral<br>for securities lending                    | 7,474,893                             | -                          |
| Prepaid expenses and other   | 254,197                               | -                          |
| Total assets   | 118,717,646                           | <u><u>\$ 2,253,206</u></u> |
| <b>Liabilities</b>   |                                       |                            |
| Benefits payable and other liabilities   | 1,242,537                             | \$ -                       |
| Due to other governmental units  | -                                     | 23,233                     |
| Refundable bonds and deposits  | -                                     | 1,103,370                  |
| Collateral for securities lending  | 7,474,893                             | -                          |
| Total liabilities  | 8,717,430                             | <u><u>\$ 1,126,603</u></u> |
| <b>Net Assets</b> - Held in trust for pension systems<br>and other employee benefits | <u><u>\$ 110,000,216</u></u>          |                            |

# Charter Township of Clinton

## **Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2007**

|  | Pension and<br>Other Employee<br>Benefit Trust<br>Funds |
|--|---|
| <b>Additions</b>                                     |   |
| Contributions:                                       |   |
| Employee   | \$ 933,717  |
| Township   | 4,002,650   |
| Total contributions                                  | 4,936,367   |
| Investment income:                                   |   |
| Interest and dividends                               | 3,155,030   |
| Net appreciation in fair value of investments        | 8,451,520   |
| Less investment expenses                             | (497,231)   |
| Net investment income                                | 11,109,319  |
| Securities lending income:                           |   |
| Interest and fees                                    | 393,792   |
| Less borrower rebates and fees                       | (384,920)   |
| Net securities lending income                        | 8,872   |
| Total additions                                      | 16,054,558  |
| <b>Deductions</b>                                    |   |
| Benefit payments                                     | 3,692,177   |
| Administrative expenses                              | 50,715  |
| Total deductions                                     | 3,742,892   |
| <b>Net Increase</b>                                  | 12,311,666  |
| <b>Net Assets Held in Trust for Pension Benefits</b> |   |
| Beginning of year                                    | 97,688,550  |
| End of year  | <u><u>\$ 110,000,216</u></u>                            |

# Charter Township of Clinton

## Component Units Statement of Net Assets March 31, 2007

|   | Economic<br>Development<br>Corporation | Downtown<br>Development<br>Authority | Total                    |
|---|--|--------------------------------------|--------------------------|
| <b>Assets - Cash and investments (Note 2)</b> | \$ 207,526                             | \$ 259,522                           | \$ 467,048               |
| <b>Liabilities - Accounts payable</b>         | <u>700</u>                             | <u>-</u>                             | <u>700</u>               |
| <b>Net Assets - Unrestricted</b>              | <u><b>\$ 206,826</b></u>               | <u><b>\$ 259,522</b></u>             | <u><b>\$ 466,348</b></u> |

# Charter Township of Clinton

|  | Expenses        | Charges for<br>Services | Program Revenues                         |  |
|--|-----------------|-------------------------|--|--|
|  |                 |                         | Operating Grants<br>and<br>Contributions | Capital Grants<br>and<br>Contributions |
| Economic Development Corporation -<br>Public works | \$ 4,594        | \$ -                    | \$ -                                     | \$ -                                   |
| Downtown Development Authority -<br>Public works   | 4,720           | -                       | -  | -                                      |
| Total component units                              | <u>\$ 9,314</u> | <u>\$ -</u>             | <u>\$ -</u>                              | <u>\$ -</u>                            |

## General revenues:

Taxes

Interest

Donations

Total general revenues

## Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Component Units  
Statement of Activities  
Year Ended March 31, 2007**

| Net (Expense) Revenue and Changes in<br>Net Assets |                                      |                          |
|--|--------------------------------------|--------------------------|
| Economic<br>Development<br>Corporation             | Downtown<br>Development<br>Authority | Total                    |
| \$ (4,594)   | \$ -                                 | \$ (4,594)               |
| -  | (4,720)                              | (4,720)                  |
| (4,594)  | (4,720)                              | (9,314)                  |
| -  | 153,164                              | 153,164                  |
| 10,888   | 6,665                                | 17,553                   |
| -  | 2,000                                | 2,000                    |
| 10,888   | 161,829                              | 172,717                  |
| 6,294  | 157,109                              | 163,403                  |
| 200,532  | 102,413                              | 302,945                  |
| <b><u>\$ 206,826</u></b>                           | <b><u>\$ 259,522</u></b>             | <b><u>\$ 466,348</u></b> |

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Clinton (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

#### **Reporting Entity**

The Charter Township of Clinton was organized on April 3, 1989 under the provisions of Act 359 of P.A. 1947, as amended (Charter Township Act). The Township is governed by an elected seven-member board of trustees composed of the supervisor, clerk, treasurer, and four other trustees. The Township provides the following services as authorized by its charter: public safety (police and fire), public works, sanitation, culture, recreation, public improvements, planning and zoning, and general administrative services.

The accompanying basic financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement Number 14, *The Financial Reporting Entity*, for determining the various governmental organizations to be included in the reporting entity. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township, although the Township has the ability to impose its will over the entities.

#### **Blended Component Unit**

**Building Authority** - The Charter Township of Clinton Building Authority (the "Building Authority") is governed by a seven-member board that is appointed by the Township board of trustees. Although legally separate from the Township, the Building Authority is reported as if it were part of the primary government because its primary purpose is to provide certain facilities necessary for the operation of the Township's government and to finance and construct the Township's public buildings. The Building Authority is reported as a nonmajor Debt Service Fund.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Discretely Presented Component Units**

**Economic Development Corporation** - The primary purpose of the Economic Development Corporation (EDC) is to encourage and assist commercial enterprises to locate and expand facilities within the Township. The governing members of the EDC board are appointed by the Township board of trustees and can be removed or replaced by the Township board. Complete financial statements of the EDC are available at the Township clerk's office.

**Downtown Development Authority** - The Downtown Development Authority (DDA) was established on August 8, 2002 under the provision of Act 197 of the Public Acts of Michigan of 1975, as amended. The DDA was created to halt property value deterioration and increase property tax valuation where possible, to eliminate the causes of that deterioration and to promote economic growth in the business district of the Township. The DDA collects captured property taxes in accordance with State law and submits a budget of expenditures within the DDA district. The DDA's governing body is appointed by the Township board of trustees.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Special Revenue Fund accounts for all of the activities of the Township's Fire Department, except for construction activity and equipment purchased in the Fire Facility Capital Projects Fund.
- The Police Special Revenue Fund accounts for all of the activities of the Township's Police Department, except for construction activity and equipment purchased in the Police Facility Capital Projects Fund.
- The 41-B Court Building Debt Service Fund accounts for all of the activities associated with monitoring and paying debt incurred in the construction of the new 41-B District Court Building.
- The 41-B Court Building Capital Projects Fund accounts for all of the activities associated with monitoring and paying for the costs to construct the new 41-B District Court Building.

The Township reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.
- The Senior Housing Fund accounts for the activities of the Township's Senior Housing apartment complex.
- The Sanitation Fund accounts for the activities associated with the Township's rubbish collection program.
- The Special Assessment Fund accounts for the activities associated with the construction of the water distribution system, the sewage collection system, various paving projects, and the debt payments related to these projects.



# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Additionally, the Township reports the following fund types:

- The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the Township's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: property taxes, state-shared revenue, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township. Conversely, federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

#### **Property Tax Revenue**

Property taxes are lien and billed on December 1. The winter taxes billed on December 1 are payable without penalty through February 28. Effective March 1, taxes are delinquent and payable to the Macomb County Treasurer. The winter tax bill is primarily used to finance Township operations for the following fiscal year.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The 2006 taxable valuation (real and personal property) of the Township totaled \$3,072,587,786, on which ad valorem taxes levied consisted of .7514 mills for the Township's operating purposes, .8914 mills for fire operating purposes, 1.5 mills for police operating purposes, and .33 mills for the retirement of police building debt. The ad valorem taxes generated \$2,308,742 for general operations, \$2,738,905 for fire operations, \$4,608,882 for police operations, and \$1,013,954 for police building debt retirement. The 2006 real property taxable valuation of the Township totaled \$2,904,673,686, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$14,523,368 for police operations and \$11,618,695 for fire operations. The Industrial Facilities Tax roll generated \$37,207 for general operations, \$228,824 for police operations, \$167,779 for fire operations, and \$16,340 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Enterprise Fund require amounts to be set aside for a bond reserve. The amount has been classified as a restricted asset. Unspent bond proceeds of the Court Building Facility Capital Projects Fund are required to be set aside for construction. These amounts have also been classified as restricted assets.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets are depreciated starting on the first day of the first fiscal year following the date of acquisition.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

|                                 |             |
|---------------------------------|-------------|
| Structures, mains, and laterals | 25-50 years |
| Infrastructure                  | 50 years    |
| Meters                          | 10-20 years |
| Land improvements               | 15 years    |
| Buildings and improvements      | 25-50 years |
| Office furniture and equipment  | 5 years     |
| Operating equipment             | 10 years    |
| Vehicles                        | 3-10 years  |

**Compensated Absences** - The Township allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off or employees terminate).

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**Construction Code Act** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity is as follows:

|  |                    |                       |
|--|--------------------|-----------------------|
| Cumulative expenditures over revenue -<br>April 1, 2006  |                    | \$ (2,354,000)        |
| Fiscal 2007 building department activity:                |                    |                       |
| Permit revenue   | \$ 1,291,000       |                       |
| Expenditures   | <u>(1,447,000)</u> |                       |
| Excess of expenditures over revenue                      |                    | <u>(156,000)</u>      |
| Cumulative expenditures over revenue -<br>March 31, 2007 |                    | <u>\$ (2,510,000)</u> |

# **Charter Township of Clinton**

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## **Notes to Financial Statements March 31, 2007**

### **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated 14 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The Fire and Police Pension Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. The Township does not have a separate investment policy for its pension fund; however, the Township does follow the State Pension Act limits.

As permitted by state statutes, and under the provisions of a Securities Lending Authorization Agreement, the Fire and Police Pension System Trust Fund lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Fire and Police Pension System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended March 31, 2007, only United States currency was received as collateral.

The Police and Fire Pension System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the custodial bank.

### **Note 2 - Deposits and Investments (Continued)**

The Police and Fire Pension System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of March 31, 2007 was 122 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On March 31, 2007, the Police and Fire Pension System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Police and Fire Pension System as of March 31, 2007 were \$7,474,893 and \$7,298,191, respectively.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk - Township-wide Bank Deposits and Investments -**

Custodial credit risk is the risk that in the event of a third-party custodian's failure, the Township's deposits may not be returned to it. The Township's investment policy requires that the Township minimize custodial credit risk by using only financial institutions meeting a pre-qualification evaluation and holding securities in the Township's name. The evaluation of institutions includes screening by size, asset quality, liquidity of funds, profitability, and capital using several third-party sources. At year end, the Township had \$81 million of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk - Pension and Retiree Health Care Funds -**

The Township's pension trust fund does not have an investment policy for custodial credit risk. At year end, the Township's pension trust fund had \$3.9 million of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township's pension trust fund believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township's pension trust fund evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 2 - Deposits and Investments (Continued)

At year end, the following investment securities were uninsured and unregistered, and held by a counterparty or by its trust department or agent but not in the Township's name:

| Investment Type                   | Fair Value of<br>Township<br>Investments and<br>Pension Trust<br>Funds | How Held     |
|-----------------------------------|--|--------------|
| Corporate bonds                   | \$ 11,843,163  | Counterparty |
| Equity securities                 | 57,503,543   | Counterparty |
| Foreign mutual funds              | 2,482,711  | Counterparty |
| United States government agencies | 14,195,709   | Counterparty |
| Total uninsured and unregistered  | <u>\$ 86,025,126</u>   |              |

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy requires the Township to minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity. At year end, the Township had the following investments and maturities:

| Investment Type                       | Fair Value of<br>Township-wide<br>Deposits and<br>Investments | Fair Value of<br>Pension Trust<br>Funds | Less than<br>6 Years | 6-15 Years | Greater than<br>15 Years |
|---------------------------------------|---|---|----------------------|------------|--------------------------|
| Bank investment pool                  | \$ 21,006,146   | \$ 983,608                              | \$ 21,989,754        | \$ -       | \$ -                     |
| U. S. government or agency securities | 5,245,333   | 8,950,377                               | 5,449,288            | 2,479,278  | 6,267,144                |
| Corporate bonds                       | 2,660,000   | 9,183,163                               | 5,627,191            | 2,292,904  | 3,923,068                |



# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 2 - Deposits and Investments (Continued)

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy further minimizes credit risk by limiting investments to the safest types of securities and by diversifying the portfolio so potential losses on individual securities are minimized. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment  | Fair Value    | Rating      | Rating Organization |
|---|---------------|-------------|---------------------|
| Bank investment pool                              | \$ 16,128,079 | Not Rated   | Not Rated           |
| U.S. government agency mortgage-backed securities | 10,121,391    | Not Rated   | Not Rated           |
| Corporate asset-backed securities                 | 1,391,911     | AAA         | Standard and Poor's |
| U.S. federal agencies                             | 1,241,717     | AAA         | Standard and Poor's |
| Bank investment pool                              | 5,861,675     | Aaa         | Moody's             |
| Collateralized mortgage obligations               | 2,035,060     | AAA         | Standard and Poor's |
| Collateralized mortgage obligations               | 1,014,953     | Not Rated   | Not Rated           |
| Corporate bonds                                   | 8,173,893     | AA+ to CCC+ | Standard and Poor's |

**Concentration of Credit Risk** - The Township's investment policy minimizes the risk in placing a large portion of the portfolio with a single security issuer by limiting the exposure to 20 percent of the total portfolio. At March 31, 2007, the Township held investments in the Federal Home Loan Mortgage Association valued at \$6,373,618. This investment represents 5.96 percent of the Township's total investments.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 2 - Deposits and Investments (Continued)

**Foreign Currency Risk** - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The following securities are subject to foreign currency risk:

| Security                     | Fair Value | Foreign Currency   |
|------------------------------|------------|--------------------|
| Foreign mutual fund holdings | \$ 7,120   | Australian dollar  |
| Foreign mutual fund holdings | 960,666    | Canadian dollar    |
| Foreign mutual fund holdings | 56,178     | Euro               |
| Foreign mutual fund holdings | 2,103,883  | Yen                |
| Foreign mutual fund holdings | 609,682    | Polish zloty       |
| Foreign mutual fund holdings | 564,438    | Singapore dollar   |
| Foreign mutual fund holdings | 316,416    | Swedish krona      |
| Foreign mutual fund holdings | 3,054      | British pound      |
| Foreign mutual fund holdings | 387,407    | Malaysian ringgit  |
| Foreign mutual fund holdings | 10,200     | New Zealand dollar |
| Foreign mutual fund holdings | 374,223    | South African rand |

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 3 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

|   | Balance<br>April 1, 2006 | Additions    | Disposals and<br>Adjustments | Balance<br>March 31, 2007 |
|---|--------------------------|--------------|------------------------------|---------------------------|
| <b>Governmental Activities</b>                                  |                          |              |                              |                           |
| Capital assets not being depreciated - Land                     | \$ 2,907,036             | \$ 404,575   | \$ -                         | \$ 3,311,611              |
| Capital assets being depreciated:                               |                          |              |                              |                           |
| Land improvements   | 1,647,463                | -            | -                            | 1,647,463                 |
| Buildings and building improvements                             | 31,078,521               | 3,431,431    | -                            | 34,509,952                |
| Office furniture and equipment                                  | 6,677,155                | 111,574      | 157,000                      | 6,631,729                 |
| Vehicles  | 7,677,569                | 1,406,406    | 677,388                      | 8,406,587                 |
| Operating equipment   | 4,206,914                | 417,000      | 84,317                       | 4,539,597                 |
| Infrastructure assets constructed by<br>special assessment fund | 1,425,746                | 462,911      | -                            | 1,888,657                 |
| Subtotal  | 52,713,368               | 5,829,322    | 918,705                      | 57,623,985                |
| Accumulated depreciation:                                       |                          |              |                              |                           |
| Land improvements   | 994,663                  | 102,186      | -                            | 1,096,849                 |
| Buildings and building improvements                             | 6,249,751                | 669,349      | -                            | 6,919,100                 |
| Office furniture and equipment                                  | 5,495,496                | 463,753      | 157,000                      | 5,802,249                 |
| Vehicles  | 4,985,424                | 674,704      | 551,940                      | 5,108,188                 |
| Operating equipment   | 1,980,891                | 349,862      | 84,317                       | 2,246,436                 |
| Infrastructure assets constructed by<br>special assessment fund | -                        | 28,515       | -                            | 28,515                    |
| Subtotal  | 19,706,225               | 2,288,369    | 793,257                      | 21,201,337                |
| Net capital assets being depreciated                            | 33,007,143               | 3,540,953    | 125,448                      | 36,422,648                |
| Net capital assets  | \$ 35,914,179            | \$ 3,945,528 | \$ 125,448                   | \$ 39,734,259             |

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 3 - Capital Assets (Continued)

| <b>Business-type Activities</b>             | Balance<br>April 1, 2006 | Additions           | Disposals and<br>Adjustments | Balance<br>March 31, 2007 |
|---|--------------------------|---------------------|------------------------------|---------------------------|
| Capital assets not being depreciated:       |                          |                     |                              |                           |
| Land  | \$ 1,000,000             | \$ -                | \$ -                         | \$ 1,000,000              |
| Construction in progress                    | <u>3,960,215</u>         | <u>3,243,076</u>    | <u>2,943,064</u>             | <u>4,260,227</u>          |
| Net capital assets not<br>being depreciated | 4,960,215                | 3,243,076           | 2,943,064                    | 5,260,227                 |
| Capital assets being depreciated:           |                          |                     |                              |                           |
| Land improvements                           | 320,165                  | -                   | -                            | 320,165                   |
| Buildings and improvements                  | 14,079,990               | 396,694             | -                            | 14,476,684                |
| Equipment                                   | 1,822,684                | 78,900              | 60,206                       | 1,841,378                 |
| Vehicles                                    | 1,801,001                | 336,494             | 246,394                      | 1,891,101                 |
| Furniture and fixtures                      | 697,048                  | -                   | -                            | 697,048                   |
| Meters                                      | 4,515,632                | -                   | -                            | 4,515,632                 |
| Structures, mains, and laterals             | <u>146,473,167</u>       | <u>6,352,410</u>    | <u>-</u>                     | <u>152,825,577</u>        |
| Subtotal                                    | 169,709,687              | 7,164,498           | 306,600                      | 176,567,585               |
| Accumulated depreciation:                   |                          |                     |                              |                           |
| Land improvements                           | 40,443                   | 21,344              | -                            | 61,787                    |
| Buildings and improvements                  | 3,902,400                | 281,600             | -                            | 4,184,000                 |
| Equipment                                   | 1,659,722                | 54,321              | 60,206                       | 1,653,837                 |
| Vehicles                                    | 1,476,146                | 168,628             | 246,394                      | 1,398,380                 |
| Furniture and fixtures                      | 496,530                  | 48,927              | -                            | 545,457                   |
| Meters                                      | 2,446,917                | 218,555             | -                            | 2,665,472                 |
| Structures, mains, and laterals             | <u>49,675,806</u>        | <u>2,772,188</u>    | <u>-</u>                     | <u>52,447,994</u>         |
| Subtotal                                    | <u>59,697,964</u>        | <u>3,565,563</u>    | <u>306,600</u>               | <u>62,956,927</u>         |
| Net capital assets being depreciated        | <u>110,011,723</u>       | <u>3,598,935</u>    | <u>-</u>                     | <u>113,610,658</u>        |
| Net capital assets                          | <u>\$ 114,971,938</u>    | <u>\$ 6,842,011</u> | <u>\$ 2,943,064</u>          | <u>\$ 118,870,885</u>     |

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 3 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

|  |               |
|--|---------------|
| General government   | \$ 301,438    |
| Public safety  | 1,608,623     |
| Public works   | 103,182       |
| Recreation and senior activities                             | 216,160       |
| Infrastructure assets constructed by special assessment fund | 28,515        |
| 41-B District Court  | <u>30,451</u> |

Total governmental activities \$ 2,288,369

Business-type activities:

|                 |                |
|-----------------|----------------|
| Water and sewer | \$ 3,262,619   |
| Senior housing  | <u>302,944</u> |

Total business-type activities \$ 3,565,563

### Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund financial statements is as follows:

| Receivable Fund                     | Payable Fund                     | Amount            |
|-------------------------------------|----------------------------------|-------------------|
| General Fund                        | Water and Sewer Fund             | \$ 504,723        |
|                                     | Special Assessment Fund          | 8,717             |
|                                     | Other nonmajor funds             | <u>80,193</u>     |
|                                     | Total General Fund               | 593,633           |
| Court Building Capital Project Fund | Court Building Debt Service Fund | 300               |
| Sanitation Fund                     | Water and Sewer Fund             | 40,737            |
| Special Assessment Fund             | Water and Sewer Fund             | 1,000             |
| Other nonmajor funds                | General Fund                     | 71,727            |
|                                     | Special Assessment Fund          | <u>14,687</u>     |
|                                     | Total other nonmajor funds       | <u>86,414</u>     |
|                                     | Total                            | <u>\$ 722,084</u> |

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

|                         | Transfers In        |                         |                      | Total               |
|-------------------------|---------------------|-------------------------|----------------------|---------------------|
|                         | Police Fund         | Special Assessment Fund | Other Nonmajor Funds |                     |
| Transfers out:          |                     |                         |                      |                     |
| General Fund            | \$ 2,276,413 (4)    | \$ -                    | \$ 320,018 (1)       | \$ 2,596,431        |
| Fire Fund               | -                   | -                       | 111,123 (1)          | 111,123             |
| Water and Sewer Fund    | -                   | 1,000 (3)               | -                    | 1,000               |
| Special Assessment Fund | -                   | -                       | 14,687 (2)           | 14,687              |
| Total                   | <u>\$ 2,276,413</u> | <u>\$ 1,000</u>         | <u>\$ 445,828</u>    | <u>\$ 2,723,241</u> |

- (1) Transfer for debt service payment
- (2) Transfer of discretionary funds for capital improvement projects
- (3) Transfer to eliminate deficits in the special assessment projects
- (4) Transfer of discretionary funds for police operations

### Note 5 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Installment purchase agreements are also general obligations of the government.

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 5 - Long-term Debt (Continued)

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. Under Michigan law, the Township is secondarily liable for payment of these bonds.

In connection with the Water and Sewer Revenue Bonds, the Township is subject to bond ordinance requirements, including maintaining a relationship of net revenue to debt service requirements.

Long-term obligation activity can be summarized as follows:

|  | Interest<br>Rate<br>Ranges | Principal<br>Maturity<br>Ranges | Beginning<br>Balance | Additions<br>(Reductions) | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------------|---------------------------------|----------------------|---------------------------|-------------------|------------------------|
| <b>Governmental Activities</b>                     |                            |                                 |                      |                           |                   |                        |
| General obligation bonds:                          |                            |                                 |                      |                           |                   |                        |
| Building Authority Refunding Bonds - Series 1994:* |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$7,270,000                      | 4.50%-                     | \$232,220-                      |                      |                           |                   |                        |
| Maturing through 2010                              | 4.90%                      | \$278,955                       | \$ 1,317,375         | \$ (264,350)              | \$ 1,053,025      | \$ 232,220             |
| Building Authority Refunding Bonds - Series 1998:* |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$10,390,000                     | 4.30% -                    | \$5,355-                        |                      |                           |                   |                        |
| Maturing through 2017                              | 5.50%                      | \$315,945                       | 1,889,244            | (5,355)                   | 1,883,889         | 5,355                  |
| Police Building Bonds - Series 1998:               |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$8,000,000                      | 4.00%-                     | \$325,000-                      |                      |                           |                   |                        |
| Maturing through 2018                              | 6.00%                      | \$725,000                       | 6,000,000            | (375,000)                 | 5,625,000         | 375,000                |
| Police Building Bonds - Series 1999:               |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$5,900,000                      | 4.00%-                     | \$150,000-                      |                      |                           |                   |                        |
| Maturing through 2018                              | 6.00%                      | \$600,000                       | 4,800,000            | (250,000)                 | 4,550,000         | 300,000                |
| Fire Building Bonds - Series 2002:                 |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$8,500,000                      | 2.50%-                     | \$175,000-                      |                      |                           |                   |                        |
| Maturing through 2022                              | 4.60%                      | \$750,000                       | 7,775,000            | (225,000)                 | 7,550,000         | 250,000                |
| 41B District Court Bonds - Series 2006:            |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$13,500,000                     | 4.00%-                     | \$50,000-                       |                      |                           |                   |                        |
| Maturing through 2031                              | 4.50%                      | \$1,000,000                     | -                    | 13,450,000                | 13,450,000        | 200,000                |
| Total bond obligations                             |                            |                                 | 21,781,619           | 12,330,295                | 34,111,914        | 1,362,575              |
| Other long-term obligations - Compensated absences |                            |                                 | 3,870,836            | 52,029                    | 3,922,865         | 1,176,860              |
| Total governmental activities                      |                            |                                 | 25,652,455           | 12,382,324                | 38,034,779        | 2,539,435              |

\* Bonds with maturing dates from November 1, 2003 through November 1, 2017 were defeased during the years ended March 31, 1994 and March 31, 1999. The Series 1994 bonds are co-funded by the General Fund, Fire Fund, and the Senior Housing Fund. The Series 1998 bonds are co-funded by the General Fund and the Senior Housing Fund. See tables for breakout.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 5 - Long-term Debt (Continued)

|   | Interest<br>Rate<br>Ranges | Principal<br>Maturity<br>Ranges | Beginning<br>Balance | Additions<br>(Reductions) | Ending<br>Balance | Due Within<br>One Year |
|---|----------------------------|---------------------------------|----------------------|---------------------------|-------------------|------------------------|
| <b>Business-type Activities</b>                       |                            |                                 |                      |                           |                   |                        |
| General obligation bonds:                             |                            |                                 |                      |                           |                   |                        |
| Building Authority Refunding Bonds - Series 1994*:    |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$7,270,000                         | 4.50%-                     | \$562,780-                      |                      |                           |                   |                        |
| Maturing through 2010                                 | 4.90%                      | \$676,045                       | \$ 3,192,630         | \$ (640,650)              | \$ 2,551,980      | \$ 562,780             |
| Building Authority Refunding Bonds - Series 1998*:    |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$10,390,000                        | 4.30% -                    | \$19,645-                       |                      |                           |                   |                        |
| Maturing through 2017                                 | 5.50%                      | \$1,159,055                     | 6,930,755            | (19,645)                  | 6,911,110         | 19,645                 |
| 1997 Special Assessment Bonds - Limited Tax Bonds     |                            |                                 |                      |                           |                   |                        |
| (Project Nos. 910, 913, 914, and 924):                |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$715,000                           | 5.15%-                     |                                 |                      |                           |                   |                        |
| Maturing through 2006                                 | 5.25%                      | \$75,000                        | 75,000               | (75,000)                  | -                 | -                      |
| 1998 Special Assessment Bonds - Limited Tax Bonds     |                            |                                 |                      |                           |                   |                        |
| (Project Nos. 930, 931, 932, 933, 938, and 939):      |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$945,000                           |                            | \$50,000-                       |                      |                           |                   |                        |
| Maturing through 2008                                 | 6.00%                      | \$100,000                       | 200,000              | (75,000)                  | 125,000           | 75,000                 |
| 1999 Special Assessment Bonds - Limited Tax Bonds     |                            |                                 |                      |                           |                   |                        |
| (Project Nos. 892, 923, 937, 940, 941, 948, and 952): |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$680,000                           | 3.80%-                     | \$55,000-                       |                      |                           |                   |                        |
| Maturing through 2008                                 | 4.25%                      | \$60,000                        | 170,000              | (55,000)                  | 115,000           | 55,000                 |
| 2001 Special Assessment Bonds - Limited Tax Bonds     |                            |                                 |                      |                           |                   |                        |
| (Project Nos. 985, 988, and 990):                     |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$995,000                           | 3.80%-                     | \$105,000-                      |                      |                           |                   |                        |
| Maturing through 2011                                 | 4.60%                      | \$110,000                       | 530,000              | (105,000)                 | 425,000           | 105,000                |
| 2004 Special Assessment Bonds - Limited Tax Bonds     |                            |                                 |                      |                           |                   |                        |
| (Project Nos. P1000, P1006, P1018, P1029, and S1013): |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$1,115,000                         | 3.15%-                     | \$80,000-                       |                      |                           |                   |                        |
| Maturing through 2014                                 | 3.80%                      | \$135,000                       | 1,035,000            | (135,000)                 | 900,000           | 130,000                |
| 2006 Special Assessment Bonds - Limited Tax Bonds     |                            |                                 |                      |                           |                   |                        |
| (Project Nos. S-1052, W-1053, and P-1056)             |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$955,000                           |                            | \$100,000-                      |                      |                           |                   |                        |
| Maturing through 2015                                 | 6.00%                      | \$105,000                       | -                    | 910,000                   | 910,000           | 105,000                |
| Revenue bonds:  |                            |                                 |                      |                           |                   |                        |
| Revenue Refunding Bonds - Series 1998:                |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$4,110,000                         | 4.35%-                     | \$145,000-                      |                      |                           |                   |                        |
| Maturing through 2013                                 | 5.00%                      | \$435,000                       | 2,250,000            | (390,000)                 | 1,860,000         | 435,000                |



# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 5 - Long-term Debt (Continued)

|  | Interest<br>Rate<br>Ranges | Principal<br>Maturity<br>Ranges | Beginning<br>Balance | Additions<br>(Reductions) | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------------|---------------------------------|----------------------|---------------------------|-------------------|------------------------|
| <b>Business-type Activities (Continued)</b>        |                            |                                 |                      |                           |                   |                        |
| Revenue bonds (Continued):                         |                            |                                 |                      |                           |                   |                        |
| Revenue Bonds - Series 2001:                       |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$8,000,000                      | 4.00%-                     | \$200,000-                      |                      |                           |                   |                        |
| Maturing through 2022                              | 7.00%                      | \$650,000                       | \$ 7,275,000         | \$ (250,000)              | \$ 7,025,000      | \$ 275,000             |
| Revenue Refunding Bonds - Series 2004:             |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$2,570,000                      | 2.00%-                     | \$5,000-                        |                      |                           |                   |                        |
| Maturing through 2016                              | 3.40%                      | \$405,000                       | 2,555,000            | (15,000)                  | 2,540,000         | 20,000                 |
| Revenue Bonds - CWRP Project 5191-01:              |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$1,405,000                      |                            | \$55,000-                       |                      |                           |                   |                        |
| Maturing through 2024                              | 2.125%                     | \$85,000                        | 1,290,000            | (60,000)                  | 1,230,000         | 60,000                 |
| Revenue Bonds - SQWIF Project 3001-01:             |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$270,000                        |                            | \$10,000-                       |                      |                           |                   |                        |
| Maturing through 2024                              | 1.625%                     | \$15,000                        | 148,614              | 23,857                    | 172,471           | 10,000                 |
| Revenue Bonds - Series 2006:                       |                            |                                 |                      |                           |                   |                        |
| Amount of issue - \$5,000,000                      | 3.75%-                     | \$100,000-                      |                      |                           |                   |                        |
| Maturing through 2026                              | 4.30%                      | \$400,000                       | -                    | 5,000,000                 | 5,000,000         | 100,000                |
| Total bond obligations                             |                            |                                 | 25,651,999           | 4,113,562                 | 29,765,561        | 1,952,425              |
| Other long-term obligations - Compensated absences |                            |                                 | 239,498              | (3,155)                   | 236,343           | 70,903                 |
| Total business-type activities                     |                            |                                 | 25,891,497           | 4,110,407                 | 30,001,904        | 2,023,328              |
| Total primary government                           |                            |                                 | \$ 51,543,952        | \$ 16,492,731             | \$ 68,036,683     | \$ 4,562,763           |

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

|           | Governmental Activities |               |               | Business-type Activities |              |               |
|-----------|-------------------------|---------------|---------------|--------------------------|--------------|---------------|
|           | Principal               | Interest      | Total         | Principal                | Interest     | Total         |
| 2008      | \$ 1,362,575            | \$ 1,479,824  | \$ 2,842,399  | \$ 1,952,425             | \$ 1,267,499 | \$ 3,219,924  |
| 2009      | 1,454,541               | 1,414,392     | 2,868,933     | 2,030,459                | 1,174,655    | 3,205,114     |
| 2010      | 1,525,161               | 1,347,992     | 2,873,153     | 1,924,839                | 1,081,334    | 3,006,173     |
| 2011      | 1,660,381               | 1,282,210     | 2,942,591     | 2,109,619                | 993,101      | 3,102,720     |
| 2012      | 1,665,975               | 1,213,285     | 2,879,260     | 2,209,025                | 903,601      | 3,112,626     |
| 2013-2017 | 10,677,336              | 4,866,584     | 15,543,920    | 10,902,664               | 3,114,874    | 14,017,538    |
| 2018-2022 | 7,965,945               | 2,608,327     | 10,574,272    | 5,816,530                | 1,071,292    | 6,887,822     |
| 2023-2027 | 3,900,000               | 1,332,550     | 5,232,550     | 2,820,000                | 189,819      | 3,009,819     |
| 2028-2031 | 3,900,000               | 357,750       | 4,257,750     | -                        | -            | -             |
| Total     | \$ 34,111,914           | \$ 15,902,914 | \$ 50,014,828 | \$ 29,765,561            | \$ 9,796,175 | \$ 39,561,736 |

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2007

### **Note 5 - Long-term Debt (Continued)**

#### **Defeased Debt**

In prior years, the Township defeased certain Building Authority and Water and Sewer Revenue Bonds by placing surplus cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At March 31, 2007, \$12,300,000 of Building Authority bonds and \$2,100,000 of Water and Sewer Revenue bonds outstanding are considered defeased.

#### **No Commitment Debt**

Excluded from the government-wide statement of net assets are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the Township. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the Township's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or another knowledgeable source.

### **Note 6 - Restricted Assets**

The Water and Sewer Fund accounts for the operation and maintenance of the water and sewer treatment activities of the Township, including the funding of reserves as required by the revenue bond ordinances. The bond reserve account balance at March 31, 2007 is funded by certificates of deposits and money market funds in the amount of \$1,531,300.

The Court Building Capital Project Fund accounts for the construction of the 41-B District Court Facility Building. Total assets restricted for use in this construction project at March 31, 2007 are \$10,797,223.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 7 - Risk Management

The Township is exposed to losses from various risks. Those risks include those related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees, retirees, and their dependents. The Township has purchased commercial insurance for medical claims, property loss, torts, and errors and omissions. The Township is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

The Township estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The liability is recorded in accrued and other liabilities on the statement of net assets.

Changes in the estimated liability for the past two fiscal years were as follows:

|   | <u>2007</u>         | <u>2006</u>       |
|---|---------------------|-------------------|
| Estimated liability - Beginning of year                   | \$ 925,927          | \$ 932,621        |
| Estimated claims incurred, including changes in estimates | 733,627             | 286,433           |
| Claim payments  | <u>(474,511)</u>    | <u>(293,127)</u>  |
| Estimated liability - End of year                         | <u>\$ 1,185,043</u> | <u>\$ 925,927</u> |

### Note 8 - Commitments and Contingencies

**Construction Commitments** - The Charter Township of Clinton has an active construction project at year end. As of March 31, 2007, the Township's commitments with contractors are as follows:

|  | <u>Spent to Date</u> | <u>Remaining<br/>Commitment</u> |
|--|----------------------|---------------------------------|
| Groesbeck Highway Water Main Replacement | \$ -                 | \$ 694,000                      |
| 41-B District Court Building             | 3,749,000            | 7,790,000                       |
| Senior Center Addition/Renovation        | -                    | 668,000                         |
| Other commitments                        | <u>3,419,000</u>     | <u>360,000</u>                  |
| Total                                    | <u>\$ 7,168,000</u>  | <u>\$ 9,512,000</u>             |

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 8 - Commitments and Contingencies (Continued)

**Environmental Contingency** - The Township may be required to undertake measures to upgrade sanitary sewers in order to be in compliance with the Clean Water Act. According to the Michigan Department of Environmental Quality, actions required by the Township are dependent upon the results of a Waste Water Master Plan currently being completed by the City of Detroit Water and Sewerage Department. Since the recommendations of that study are not yet known, the Township cannot estimate these costs.

**Lawsuits** - The Township is a defendant in various legal actions that have arisen in the normal course of business. In the opinion of management, eventual resolution of these claims will not have a material effect on the Township's financial position or results of operations.

### Note 9 - Designated Fund Balances

Designated fund balance in the governmental funds at March 31, 2007 is as follows:

|                          | General Fund        | Fire Fund            | Police Fund          | Other Nonmajor<br>Governmental<br>Funds |
|--------------------------|---------------------|----------------------|----------------------|---|
| Subsequent year's budget | \$ -                | \$ -                 | \$ -                 | \$ 429,870                              |
| Debt service             | -                   | -                    | -                    | 64,338                                  |
| Working capital          | 3,559,500           | 12,923,013           | 14,645,942           | -                                       |
| Workers' compensation    | 250,000             | -                    | -                    | -                                       |
| Total                    | <u>\$ 3,809,500</u> | <u>\$ 12,923,013</u> | <u>\$ 14,645,942</u> | <u>\$ 494,208</u>                       |

### Note 10 - Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 170 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan. Contributions by the participants range from 0 percent to 100 percent depending on the number of years of service with the Township prior to retirement. The Township purchases Medicare supplemental insurance, including prescription coverage, for retirees eligible for Medicare.

The Township has established the Postemployment Benefit Fund and the Public Employee Healthcare Fund to fund retiree health care benefit obligations in advance of premiums coming due.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 10 - Postemployment Benefits (Continued)

During the year ended March 31, 2007, the General, Special Revenue, and Water and Sewer Funds contributed \$707,450, \$1,651,400, and \$293,000, respectively, to the Postemployment Benefit Fund. Insurance premiums paid for retirees are charged to the Postemployment Benefit Fund and total approximately \$2,033,000.

The two postemployment benefit funds have a combined fund balance totaling \$11,903,716 at March 31, 2007. This amount represents the cumulative net funding provisions that have been made in advance of retiree health care premiums.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

### Note 11 - Pension Plans

#### Fire and Police Pension System Fund

#### System Description and Contribution Information

Membership of the system consisted of the following at March 31, 2006, the date of the latest actuarial valuation:

|  |     |
|--|-----|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 93  |
| Current employees:   |     |
| Fully vested   | 78  |
| Nonvested  | 117 |
| Total current employees  | 195 |
| Number of participating employers  | 1   |

# Charter Township of Clinton

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## Notes to Financial Statements March 31, 2007

### **Note 11 - Pension Plans (Continued)**

The Pension System is the administrator of a single-employer public employees' retirement system that covers all police and fire employees of the Township. The system is composed of a defined contribution plan to account for the employees' contributions and a defined benefit plan to account for the Township's contribution and retirees' reserve. For accounting purposes, these plans are combined. The system provides retirement benefits, as well as death and disability benefits. The Fire and Police Pension System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 40700 Romeo Plank Road, Clinton Township, MI 48038.

The Pension System member and employer contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Please refer to Note 1 for further significant accounting policies.

Depending upon their collective bargaining unit, plan members are required to contribute between 4.0 percent and 7.0 percent of their annual covered salary. The Township is required to contribute at an actuarially determined rate. The obligation to contribute to and maintain the system for these employees was established by Act No. 345 of the Public Acts of 1937, as amended, and modified by the collective bargaining agreements. Administrative costs of the system are financed through investment earnings.

#### **Annual Pension Cost**

For the year ended March 31, 2007, the Township's annual pension cost of \$2,902,650 for the plan was equal to the Pension System's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at March 31, 2005. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 5.0 percent to 9.0 percent per year compounded annually, and (c) no postretirement benefit increases. Assumption (b) includes inflation at 4.5 percent. For actuarial purposes, asset values are determined using techniques that smooth the effects of short-term market volatility over a four-year period. Level of percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method. The Pension System's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2005 was 20 years.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 11 - Pension Plans (Continued)

#### Reserves

State law requires employee contributions to be segregated and interest to be added annually. In addition, amounts must be set aside as determined by the actuary to fund benefits to retirees currently approved to receive benefits.

The reserves of the Fire and Police Pension System Fund are as follows:

|  | Reserved for<br>Employee<br>Contributions | Reserved for<br>Employer<br>Contributions | Reserved for<br>Membership<br>Annuities | Total                |
|--|---|---|---|----------------------|
| <b>Balances - April 1, 2006</b>              | \$ 8,003,550                              | \$ 51,910,104                             | \$ 28,850,652                           | \$ 88,764,306        |
| <b>Additions</b>                             |   |   |   |                      |
| Contributions:                               |   |   |   |                      |
| Members                                      | 932,367                                   | 1,350                                     | -                                       | 933,717              |
| General Fund                                 | -   | 2,902,650                                 | -                                       | 2,902,650            |
| Net investment gain                          | -   | 10,231,682                                | -                                       | 10,231,678           |
| Securities lending income                    | -   | 8,872                                     | -                                       | 8,872                |
| Total balances and additions                 | 8,935,917                                 | 65,054,658                                | 28,850,652                              | 102,841,223          |
| <b>Transfers</b>                             |   |   |   |                      |
| Interest                                     | 163,389                                   | (2,295,409)                               | 2,132,020                               | -                    |
| Reserve adjustment                           | (339,029)                                 | (4,008,313)                               | 4,347,342                               | -                    |
| Total balances and additions after transfers | 8,760,277                                 | 58,750,936                                | 35,330,014                              | 102,841,223          |
| <b>Deductions</b>                            |   |   |   |                      |
| Pension benefits                             | -   | -   | (3,692,177)                             | (3,692,177)          |
| Refunds and other administrative expenses    | -   | (50,715)                                  | -                                       | (50,715)             |
| <b>Balances - March 31, 2007</b>             | <u>\$ 8,760,277</u>                       | <u>\$ 58,700,221</u>                      | <u>\$ 31,637,837</u>                    | <u>\$ 99,098,331</u> |

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 11 - Pension Plans (Continued)

#### Three-year Trend Information

| <u>Year Ended<br/>March 31</u> | <u>Annual Pension<br/>Cost</u> | <u>Percentage<br/>Contributed</u> |
|--------------------------------|--------------------------------|-----------------------------------|
| 2005                           | \$ 2,345,264                   | 100                               |
| 2006                           | 2,757,359                      | 100                               |
| 2007                           | 2,902,650                      | 100                               |

The required supplemental information (see table of contents) contained in the additional information is designed to provide information about the system's progress in accumulating sufficient assets to pay benefits when due.

#### **Michigan Municipal Employees' Retirement System**

##### System Description and Contribution Information

The Township participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers substantially all employees of the Township, except police and fire. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the eight municipal employee collective bargaining units and requires a contribution from the employees of 3.0 percent to 5.0 percent of gross wages.



# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 11 - Pension Plans (Continued)

#### Annual Pension Cost

For the year ended March 31, 2007, the Township's annual pension cost of \$1,064,644 for the system was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal funding method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0.0 percent to 8.4 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period for positive unfunded liabilities and 10-year period for negative unfunded liabilities.

|   | Fiscal Year Ended March 31         |               |               |
|---|------------------------------------|---------------|---------------|
|   | 2007                               | 2006          | 2005          |
| Annual pension cost (APC)               | \$ 1,064,644                       | \$ 986,461    | \$ 884,964    |
| Percentage of APC contributed           | 100%                               | 100%          | 100%          |
| Net pension obligation                  | \$ -                               | \$ -          | \$ -          |
|   | Actuarial Valuation as of March 31 |               |               |
|   | 2004                               | 2003          | 2002          |
| Actuarial value of assets               | \$ 36,624,158                      | \$ 34,262,159 | \$ 32,081,443 |
| Actuarial accrued liability             | \$ 45,003,631                      | \$ 40,476,726 | \$ 36,394,763 |
| Unfunded AAL (UAAL)                     | \$ 8,379,473                       | \$ 6,214,567  | \$ 4,313,320  |
| Funded ratio                            | 81%                                | 85%           | 88%           |
| Covered payroll                         | \$ 11,970,676                      | \$ 11,739,691 | \$ 10,774,043 |
| UAAL as a percentage of covered payroll | 70%                                | 53%           | 40%           |

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2007

### Note 12 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

|  | Fund Financial Statements |                     |                     | Government-wide<br>Financial<br>Statements |
|--|---------------------------|---------------------|---------------------|--|
|  | Unavailable               | Unearned            | Total               | Unearned                                   |
| State-shared revenue                             | \$ 579,798                | \$ -                | \$ 579,798          | \$ -                                       |
| Other municipalities portion of<br>bond proceeds | 1,962,421                 | 4,224,579           | 6,187,000           | 4,224,579                                  |
| Other grant revenue                              | -                         | 45,784              | 45,784              | 45,784                                     |
| Total restricted assets                          | <u>\$ 2,542,219</u>       | <u>\$ 4,270,363</u> | <u>\$ 6,812,582</u> | <u>\$ 4,270,363</u>                        |

### Note 13 - Joint Ventures

The Township is a member of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") joint venture. The Authority's governing board is composed of two appointees from the Township and one appointee from each of the other seven member communities. In April 1999, the Authority's governing board ceased incineration operations at the Authority. The Township's equity portion of the Authority is reported in the Sanitation Fund. The Township is unaware of any circumstances, including environmental remediation, that would cause an additional benefit or burden to the participating governments in the near future. The financial statements for the Authority can be obtained from the Authority's administrative office located at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

The Township, in conjunction with Macomb Township, has created the Clinton-Macomb District Library (the "Library"). The Library's board is composed of three members appointed by the Township board of trustees and three members appointed by Macomb Township. The Library is funded through property taxes, specifically through a separate property tax millage that is not recorded as revenue by Clinton Township. The Library currently does not receive a subsidy from the Township. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. The financial statements for the Library can be obtained from the Library's administrative office at 40900 Romeo Plank Road, Clinton Township, MI 48038.

## **Required Supplemental Information**

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# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

|   | Original<br>Budget  | Amended<br>Budget   | Actual              | Variance with<br>Amended Budget |
|---|---------------------|---------------------|---------------------|---------------------------------|
| <b>Revenue</b>                              |                     |                     |                     |                                 |
| Property taxes                              | \$ 2,410,500        | \$ 2,380,000        | \$ 2,387,574        | \$ 7,574                        |
| Licenses and permits                        | 1,338,500           | 1,204,000           | 1,291,391           | 87,391                          |
| Federal sources                             | 721,346             | 1,069,376           | 986,986             | (82,390)                        |
| State sources                               | 8,279,500           | 8,119,500           | 8,013,398           | (106,102)                       |
| Interest                                    | 110,000             | 265,000             | 430,445             | 165,445                         |
| Fines and forfeitures                       | 578,931             | 761,572             | 714,928             | (46,644)                        |
| Other revenue                               | 3,452,271           | 3,677,128           | 3,835,656           | 158,528                         |
| Total revenue                               | 16,891,048          | 17,476,576          | 17,660,378          | 183,802                         |
| <b>Expenditures - Current</b>               |                     |                     |                     |                                 |
| General government                          | 6,739,926           | 6,722,620           | 6,666,093           | 56,527                          |
| Public safety                               | 1,466,708           | 1,458,313           | 1,442,164           | 16,149                          |
| Public works                                | 4,100,056           | 4,097,801           | 3,907,032           | 190,769                         |
| Recreation and senior activities            | 1,832,234           | 2,164,215           | 2,067,261           | 96,954                          |
| District Court                              | 489,700             | 597,341             | 533,546             | 63,795                          |
| Total expenditures                          | 14,628,624          | 15,040,290          | 14,616,096          | 424,194                         |
| <b>Excess of Revenue Over Expenditures</b>  | 2,262,424           | 2,436,286           | 3,044,282           | 607,996                         |
| <b>Other Financing Uses - Transfers out</b> | (2,596,282)         | (2,596,282)         | (2,596,431)         | (149)                           |
| <b>Net Change in Fund Balance</b>           | (333,858)           | (159,996)           | 447,851             | 607,847                         |
| <b>Fund Balance - Beginning of year</b>     | 7,323,961           | 7,323,961           | 7,323,961           | -                               |
| <b>Fund Balance - End of year</b>           | <u>\$ 6,990,103</u> | <u>\$ 7,163,965</u> | <u>\$ 7,771,812</u> | <u>\$ 607,847</u>               |

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2007

|   | Original<br>Budget          | Amended<br>Budget           | Actual                      | Variance with<br>Amended<br>Budget |
|---|-----------------------------|-----------------------------|-----------------------------|------------------------------------|
| <b><u>Fire Fund</u></b>                     |                             |                             |                             |                                    |
| <b>Revenue</b>                              |                             |                             |                             |                                    |
| Property taxes                              | \$ 14,167,503               | \$ 14,533,000               | \$ 14,510,162               | \$ (22,838)                        |
| Interest                                    | 80,000                      | 250,000                     | 375,251                     | 125,251                            |
| Other revenue                               | 68,000                      | 68,000                      | 14,209                      | (53,791)                           |
| Total revenue                               | 14,315,503                  | 14,851,000                  | 14,899,622                  | 48,622                             |
| <b>Expenditures</b>                         |                             |                             |                             |                                    |
| Current - Public safety                     | 13,659,718                  | 14,021,781                  | 13,753,107                  | 268,674                            |
| Debt service:                               |                             |                             |                             |                                    |
| Principal                                   | 225,000                     | 225,000                     | 225,000                     | -                                  |
| Interest                                    | 312,663                     | 312,663                     | 312,688                     | (25)                               |
| Total expenditures                          | 14,197,381                  | 14,559,444                  | 14,290,795                  | 268,649                            |
| <b>Excess of Revenue Over Expenditures</b>  | 118,122                     | 291,556                     | 608,827                     | 317,271                            |
| <b>Other Financing Uses - Transfers out</b> | (111,123)                   | (111,123)                   | (111,123)                   | -                                  |
| <b>Net Change in Fund Balance</b>           | 6,999                       | 180,433                     | 497,704                     | 317,271                            |
| <b>Fund Balance - Beginning of year</b>     | 12,516,833                  | 12,516,833                  | 12,516,833                  | -                                  |
| <b>Fund Balance - End of year</b>           | <b><u>\$ 12,523,832</u></b> | <b><u>\$ 12,697,266</u></b> | <b><u>\$ 13,014,537</u></b> | <b><u>\$ 317,271</u></b>           |

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2007

|   | Original<br>Budget         | Amended<br>Budget           | Actual                      | Variance with<br>Amended<br>Budget |
|---|----------------------------|-----------------------------|-----------------------------|------------------------------------|
| <b><u>Police Fund</u></b>                     |                            |                             |                             |                                    |
| <b>Revenue</b>                                |                            |                             |                             |                                    |
| Property taxes                                | \$ 14,263,000              | \$ 19,357,000               | \$ 19,338,641               | \$ (18,359)                        |
| Licenses and permits                          | 62,000                     | 62,000                      | 57,886                      | (4,114)                            |
| Federal sources                               | 20,000                     | 44,000                      | 61,845                      | 17,845                             |
| State sources                                 | 216,000                    | 221,000                     | 238,088                     | 17,088                             |
| Other revenue                                 | 606,700                    | 610,000                     | 752,410                     | 142,410                            |
| Total revenue                                 | 15,167,700                 | 20,294,000                  | 20,448,870                  | 154,870                            |
| <b>Expenditures - Public safety</b>           | <u>17,444,113</u>          | <u>17,525,636</u>           | <u>17,548,392</u>           | <u>(22,756)</u>                    |
| <b>Excess of Revenue Over (Under)</b>         |                            |                             |                             |                                    |
| Expenditures                                  | (2,276,413)                | 2,768,364                   | 2,900,478                   | 132,114                            |
| <b>Other Financing Sources - Transfers in</b> | <u>2,276,413</u>           | <u>2,276,413</u>            | <u>2,276,413</u>            | <u>-</u>                           |
| <b>Net Change in Fund Balance</b>             | -                          | 5,044,777                   | 5,176,891                   | 132,114                            |
| <b>Fund Balance - Beginning of year</b>       | <u>9,602,048</u>           | <u>9,602,048</u>            | <u>9,602,048</u>            | <u>-</u>                           |
| <b>Fund Balance - End of year</b>             | <u><u>\$ 9,602,048</u></u> | <u><u>\$ 14,646,825</u></u> | <u><u>\$ 14,778,939</u></u> | <u><u>\$ 132,114</u></u>           |

# Charter Township of Clinton

## Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions March 31, 2007

The schedule of funding progress is as follows:

| Actuarial<br>Valuation Date | Actuarial<br>Value of Assets<br>(a) | Actuarial Accrued<br>Liability* (AAL)<br>(b) | Unfunded AAL<br>(UAAL)<br>(b-a) | Funded Ratio<br>(Percent)<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll |
|-----------------------------|-------------------------------------|--|---------------------------------|------------------------------------|---------------------------|--|
| 03/31/00                    | \$ 59,925,922                       | \$ 54,892,942                                | \$ (5,032,980)                  | 109.2                              | \$ 11,218,992             | (44.9)   |
| 03/31/01                    | 63,882,741                          | 57,476,278                                   | (6,406,463)                     | 111.1                              | 11,533,887                | (55.5)   |
| 03/31/02                    | 67,781,390                          | 60,903,731                                   | (6,877,659)                     | 111.3                              | 11,833,874                | (58.1)   |
| 03/31/03                    | 68,539,019                          | 65,622,382                                   | (2,916,637)                     | 104.4                              | 13,267,042                | (22.0)   |
| 03/31/04                    | 68,920,716                          | 69,937,354                                   | 1,016,638                       | 98.5                               | 13,664,660                | 7.4  |
| 03/31/05                    | 72,158,679                          | 75,553,927                                   | 3,395,248                       | 95.5                               | 13,754,331                | 24.7   |

The schedule of employer contributions is as follows:

| Fiscal Year Ended | Actuarial<br>Valuation Date | Annual Required<br>Contribution | Percentage<br>Contributed |
|-------------------|-----------------------------|---------------------------------|---------------------------|
| 03/31/02          | 03/31/00                    | \$ 1,754,118                    | 100.0                     |
| 03/31/03          | 03/31/01                    | 1,839,220                       | 100.0                     |
| 03/31/04          | 03/31/02                    | 1,853,582                       | 100.0                     |
| 03/31/05          | 03/31/03                    | 2,345,264                       | 100.0                     |
| 03/31/06          | 03/31/04                    | 2,757,359                       | 100.0                     |
| 03/31/07          | 03/31/05                    | 2,902,650                       | 100.0                     |

The required contribution is expressed to the Township as a percentage of payroll.

|                               |                                   |
|-------------------------------|-----------------------------------|
| Valuation date                | March 31, 2005                    |
| Actuarial cost method         | Individual entry age              |
| Amortization method           | Level percentage of payroll, open |
| Remaining amortization period | 20 years                          |
| Asset valuation method        | 4-year smoothed market value      |
| Actuarial assumptions:        |                                   |
| Investment rate of return     | 7.50%                             |
| Projected salary increases**  | 5.0% - 9.0%                       |
| ** Includes inflation at      | 4.5%                              |
| Cost of living adjustments    | None                              |

# Charter Township of Clinton

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## **Note to Required Supplemental Information March 31, 2007**

### **Note - Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except for the fact that other revenue per the General Fund budgetary comparison schedule includes \$1,339,065 of reimbursements from other funds. On the governmental funds statement of revenue, expenditures, and changes in fund balance, those reimbursements are netted against general government expenditures. All annual appropriations lapse at fiscal year end. The budget cycle runs from April 1 to March 31. The annual budget is submitted to the Township board 120 days prior to the beginning of the next fiscal year and approved by the board prior to commencement of the new fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrances are not included as expenditures. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The amount of encumbrances outstanding at March 31, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The major fund budgets are included in the required supplemental information section of the financial statements. The other Special Revenue Fund budgets can be obtained at the Township offices.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Charter Township of Clinton experienced no significant budget variances.



## **Other Supplemental Information**

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# Charter Township of Clinton

| Nonmajor Special Revenue Funds         |                                     |                     |   |                           |                    |                   |                                |
|--|-------------------------------------|---------------------|---|---------------------------|--------------------|-------------------|--------------------------------|
|  | Capital<br>Improvement<br>Revolving | Drainage            | Community<br>Development<br>Block Grant | Postemployment<br>Benefit | Drug<br>Forfeiture | Street Lighting   | Total Special<br>Revenue Funds |
| <b>Assets</b>                          |                                     |                     |   |                           |                    |                   |                                |
| Cash and investments                   | \$ 2,280,894                        | \$ 1,492,206        | \$ -                                    | \$ 587,283                | \$ 391,128         | \$ 557,237        | \$ 5,308,748                   |
| Receivables:                           |                                     |                     |   |                           |                    |                   |                                |
| Taxes                                  | -                                   | -                   | -                                       | -                         | -                  | -                 | -                              |
| Customers                              | 1,947                               | -                   | -                                       | -                         | -                  | 40,826            | 42,773                         |
| Other                                  | -                                   | -                   | -                                       | 249,597                   | -                  | -                 | 249,597                        |
| Due from other funds                   | 14,687                              | -                   | -                                       | -                         | -                  | -                 | 14,687                         |
| Due from other governmental units      | -                                   | -                   | 178,270                                 | -                         | -                  | -                 | 178,270                        |
| Prepaid costs                          | -                                   | -                   | -                                       | 170,542                   | -                  | -                 | 170,542                        |
| Total assets                           | <u>\$ 2,297,528</u>                 | <u>\$ 1,492,206</u> | <u>\$ 178,270</u>                       | <u>\$ 1,007,422</u>       | <u>\$ 391,128</u>  | <u>\$ 598,063</u> | <u>\$ 5,964,617</u>            |
| <b>Liabilities and Fund Balances</b>   |                                     |                     |   |                           |                    |                   |                                |
| <b>Liabilities</b>                     |                                     |                     |   |                           |                    |                   |                                |
| Vouchers payable                       | \$ -                                | \$ 1,000            | \$ 101,827                              | \$ 5,587                  | \$ -               | \$ 27,670         | \$ 136,084                     |
| Accrued and other liabilities          | -                                   | 1,500               | -                                       | -                         | -                  | -                 | 1,500                          |
| Due to other funds                     | -                                   | -                   | 76,443                                  | -                         | -                  | -                 | 76,443                         |
| Total liabilities                      | -                                   | 2,500               | 178,270                                 | 5,587                     | -                  | 27,670            | 214,027                        |
| <b>Fund Balances</b>                   |                                     |                     |   |                           |                    |                   |                                |
| Reserved for prepaid costs             | -                                   | -                   | -                                       | 170,542                   | -                  | -                 | 170,542                        |
| Unreserved:                            |                                     |                     |   |                           |                    |                   |                                |
| Undesignated                           | 2,264,528                           | 1,489,706           | -                                       | 524,423                   | 333,128            | 538,393           | 5,150,178                      |
| Designated                             | 33,000                              | -                   | -                                       | 306,870                   | 58,000             | 32,000            | 429,870                        |
| Total fund balances                    | <u>2,297,528</u>                    | <u>1,489,706</u>    | <u>-</u>                                | <u>1,001,835</u>          | <u>391,128</u>     | <u>570,393</u>    | <u>5,750,590</u>               |
| Total liabilities and<br>fund balances | <u>\$ 2,297,528</u>                 | <u>\$ 1,492,206</u> | <u>\$ 178,270</u>                       | <u>\$ 1,007,422</u>       | <u>\$ 391,128</u>  | <u>\$ 598,063</u> | <u>\$ 5,964,617</u>            |

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2007**

| Nonmajor Debt Service Funds |                   |                             | Nonmajor Capital<br>Projects Fund |   |  |
|-----------------------------|-------------------|-----------------------------|-----------------------------------|---|--|
| Building<br>Authority       | Police Facility   | Total Debt<br>Service Funds | Fire Facility                     | Total Nonmajor<br>Governmental<br>Funds |  |
| \$ 45,799                   | \$ 135,900        | \$ 181,699                  | \$ 65,765                         | \$ 5,556,212                            |  |
| -                           | 73,090            | 73,090                      | -                                 | 73,090                                  |  |
| -                           | -                 | -                           | -                                 | 42,773                                  |  |
| -                           | -                 | -                           | -                                 | 249,597                                 |  |
| -                           | 71,727            | 71,727                      | -                                 | 86,414                                  |  |
| -                           | -                 | -                           | -                                 | 178,270                                 |  |
| -                           | -                 | -                           | -                                 | 170,542                                 |  |
| <u>\$ 45,799</u>            | <u>\$ 280,717</u> | <u>\$ 326,516</u>           | <u>\$ 65,765</u>                  | <u>\$ 6,356,898</u>                     |  |
|                             |                   |                             |                                   |   |  |
| \$ -                        | \$ -              | \$ -                        | \$ 65,765                         | \$ 201,849                              |  |
| -                           | -                 | -                           | -                                 | 1,500                                   |  |
| <u>3,750</u>                | <u>-</u>          | <u>3,750</u>                | <u>-</u>                          | <u>80,193</u>                           |  |
| 3,750                       | -                 | 3,750                       | 65,765                            | 283,542                                 |  |
| -                           | -                 | -                           | -                                 | 170,542                                 |  |
| 42,049                      | 216,379           | 258,428                     | -                                 | 5,408,606                               |  |
| <u>-</u>                    | <u>64,338</u>     | <u>64,338</u>               | <u>-</u>                          | <u>494,208</u>                          |  |
| <u>42,049</u>               | <u>280,717</u>    | <u>322,766</u>              | <u>-</u>                          | <u>6,073,356</u>                        |  |
| <u>\$ 45,799</u>            | <u>\$ 280,717</u> | <u>\$ 326,516</u>           | <u>\$ 65,765</u>                  | <u>\$ 6,356,898</u>                     |  |

# Charter Township of Clinton

|  | Nonmajor Special Revenue Funds      |                     |   |                           |                    |                   |                                |
|--|-------------------------------------|---------------------|---|---------------------------|--------------------|-------------------|--------------------------------|
|  | Capital<br>Improvement<br>Revolving | Drainage            | Community<br>Development<br>Block Grant | Postemployment<br>Benefit | Drug<br>Forfeiture | Street Lighting   | Total Special<br>Revenue Funds |
| <b>Revenue</b>                           |                                     |                     |   |                           |                    |                   |                                |
| Property taxes                           | \$ -                                | \$ -                | \$ -                                    | \$ -                      | \$ -               | \$ 327,908        | \$ 327,908                     |
| Special assessments                      | 50,185                              | -                   | -                                       | -                         | -                  | -                 | 50,185                         |
| Federal sources                          | -                                   | -                   | 731,758                                 | -                         | -                  | -                 | 731,758                        |
| Interest                                 | 117,049                             | 75,284              | -                                       | -                         | 16,769             | 21,134            | 230,236                        |
| Other revenue                            | -                                   | 148,896             | -                                       | -                         | 115,916            | -                 | 264,812                        |
| Total revenue                            | 167,234                             | 224,180             | 731,758                                 | -                         | 132,685            | 349,042           | 1,604,899                      |
| <b>Expenditures</b>                      |                                     |                     |   |                           |                    |                   |                                |
| Current:                                 |                                     |                     |   |                           |                    |                   |                                |
| General government                       | 227,448                             | -                   | 731,758                                 | 60,453                    | -                  | -                 | 1,019,659                      |
| Public safety                            | -                                   | -                   | -                                       | 50,187                    | 59,978             | -                 | 110,165                        |
| Public works                             | -                                   | 340,587             | -                                       | 3,422                     | -                  | 342,642           | 686,651                        |
| Debt service:                            |                                     |                     |   |                           |                    |                   |                                |
| Principal                                | -                                   | -                   | -                                       | -                         | -                  | -                 | -                              |
| Interest                                 | -                                   | -                   | -                                       | -                         | -                  | -                 | -                              |
| Total expenditures                       | 227,448                             | 340,587             | 731,758                                 | 114,062                   | 59,978             | 342,642           | 1,816,475                      |
| <b>Excess of Revenue Over (Under)</b>    |                                     |                     |   |                           |                    |                   |                                |
| <b>Expenditures</b>                      | (60,214)                            | (116,407)           | -                                       | (114,062)                 | 72,707             | 6,400             | (211,576)                      |
| <b>Other Financing Sources -</b>         |                                     |                     |   |                           |                    |                   |                                |
| Transfers in                             | 14,687                              | -                   | -                                       | -                         | -                  | -                 | 14,687                         |
| <b>Net Change in Fund Balances</b>       | (45,527)                            | (116,407)           | -                                       | (114,062)                 | 72,707             | 6,400             | (196,889)                      |
| <b>Fund Balances - Beginning of year</b> | 2,343,055                           | 1,606,113           | -                                       | 1,115,897                 | 318,421            | 563,993           | 5,947,479                      |
| <b>Fund Balances - End of year</b>       | <u>\$ 2,297,528</u>                 | <u>\$ 1,489,706</u> | <u>\$ -</u>                             | <u>\$ 1,001,835</u>       | <u>\$ 391,128</u>  | <u>\$ 570,393</u> | <u>\$ 5,750,590</u>            |

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended March 31, 2007**

| Nonmajor Debt Service Funds |                 |                          | Nonmajor Capital Projects Fund |              | Total Nonmajor Governmental Funds |
|-----------------------------|-----------------|--------------------------|--------------------------------|--------------|-----------------------------------|
| Building Authority          | Police Facility | Total Debt Service Funds | Fire Facility                  |              |                                   |
| \$ -                        | \$ 1,030,220    | \$ 1,030,220             | \$ -                           | \$ 1,358,128 |                                   |
| -                           | -               | -                        | -                              | 50,185       |                                   |
| -                           | -               | -                        | -                              | 731,758      |                                   |
| 1,535                       | 6,671           | 8,206                    | 29,095                         | 267,537      |                                   |
| -                           | -               | -                        | -                              | 264,812      |                                   |
| 1,535                       | 1,036,891       | 1,038,426                | 29,095                         | 2,672,420    |                                   |
| 4,830                       | -               | 4,830                    | -                              | 1,024,489    |                                   |
| -                           | 624             | 624                      | 928,866                        | 1,039,655    |                                   |
| -                           | -               | -                        | -                              | 686,651      |                                   |
| 269,705                     | 625,000         | 894,705                  | -                              | 894,705      |                                   |
| 161,435                     | 483,188         | 644,623                  | -                              | 644,623      |                                   |
| 435,970                     | 1,108,812       | 1,544,782                | 928,866                        | 4,290,123    |                                   |
| (434,435)                   | (71,921)        | (506,356)                | (899,771)                      | (1,617,703)  |                                   |
| 431,141                     | -               | 431,141                  | -                              | 445,828      |                                   |
| (3,294)                     | (71,921)        | (75,215)                 | (899,771)                      | (1,171,875)  |                                   |
| 45,343                      | 352,638         | 397,981                  | 899,771                        | 7,245,231    |                                   |
| \$ 42,049                   | \$ 280,717      | \$ 322,766               | \$ -                           | \$ 6,073,356 |                                   |

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds March 31, 2007

|  | Pension and Other Employee Benefit Trust Funds |                               |                       | Agency Funds     |                   |                   |                     |
|--|--|-------------------------------|-----------------------|------------------|-------------------|-------------------|---------------------|
|  | Fire and Police<br>Pension System              | Public Employee<br>Healthcare | Total                 | Tax Collection   | Cash Bond         | Trust and Agency  | Total               |
| <b>Assets</b>  |  |                               |                       |                  |                   |                   |                     |
| Cash and investments   | \$ 100,086,675                                 | \$ 10,901,881                 | \$ 110,988,556        | \$ 23,233        | \$ 332,846        | \$ 770,524        | \$ 1,126,603        |
| Cash and investments held as collateral<br>for securities lending            | 7,474,893                                      | -                             | 7,474,893             | -                | -                 | -                 | -                   |
| Prepaid expenses and other   | 254,197  | -                             | 254,197               | -                | -                 | -                 | -                   |
| Total assets   | <u>\$ 107,815,765</u>                          | <u>\$ 10,901,881</u>          | <u>\$ 118,717,646</u> | <u>\$ 23,233</u> | <u>\$ 332,846</u> | <u>\$ 770,524</u> | <u>\$ 1,126,603</u> |
| <b>Liabilities</b>   |  |                               |                       |                  |                   |                   |                     |
| Benefits payable and other liabilities                                       | \$ 1,242,537                                   | \$ -                          | \$ 1,242,537          | \$ -             | \$ -              | \$ -              | \$ -                |
| Due to other governmental units  | -  | -                             | -                     | 23,233           | -                 | -                 | 23,233              |
| Refundable bonds and deposits  | -  | -                             | -                     | -                | 332,846           | 770,524           | 1,103,370           |
| Collateral for securities lending  | 7,474,893                                      | -                             | 7,474,893             | -                | -                 | -                 | -                   |
| Total liabilities  | 8,717,430                                      | -                             | 8,717,430             | <u>\$ 23,233</u> | <u>\$ 332,846</u> | <u>\$ 770,524</u> | <u>\$ 1,126,603</u> |
| <b>Net Assets</b> - Held in trust for pension<br>and other employee benefits | <u>99,098,335</u>                              | <u>10,901,881</u>             | <u>110,000,216</u>    |                  |                   |                   |                     |
| Total liabilities and<br>net assets  | <u>\$ 107,815,765</u>                          | <u>\$ 10,901,881</u>          | <u>\$ 118,717,646</u> |                  |                   |                   |                     |

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended March 31, 2007

|  | Fire and Police<br>Pension System<br>Trust | Public Employee<br>Health Care<br>Fund | Total                 |
|--|--|--|-----------------------|
| <b>Additions</b>   |  |  |                       |
| Contributions:   |  |  |                       |
| Employee   | \$ 933,717                                 | \$ -                                   | \$ 933,717            |
| Township   | 2,902,650                                  | 1,100,000                              | 4,002,650             |
| Total contributions                                      | 3,836,367                                  | 1,100,000                              | 4,936,367             |
| Investment income:                                       |  |  |                       |
| Interest and dividends                                   | 2,836,290                                  | 318,740                                | 3,155,030             |
| Net appreciation in fair value of investments            | 7,892,623                                  | 558,897                                | 8,451,520             |
| Less investment expenses                                 | (497,231)                                  | -                                      | (497,231)             |
| Net investment income                                    | 10,231,682                                 | 877,637                                | 11,109,319            |
| Securities lending income:                               |  |  |                       |
| Interest and fees  | 393,792                                    | -                                      | 393,792               |
| Less borrower rebates and fees                           | (384,920)                                  | -                                      | (384,920)             |
| Net securities lending income                            | 8,872                                      | -                                      | 8,872                 |
| Total additions  | 14,076,921                                 | 1,977,637                              | 16,054,558            |
| <b>Deductions</b>  |  |  |                       |
| Benefit payments   | 3,692,177                                  | -                                      | 3,692,177             |
| Administrative expenses                                  | 50,715                                     | -                                      | 50,715                |
| Total deductions   | 3,742,892                                  | -                                      | 3,742,892             |
| <b>Net Increase</b>                                      | 10,334,029                                 | 1,977,637                              | 12,311,666            |
| <b>Net Assets Held in Trust for<br/>Pension Benefits</b> |  |  |                       |
| Beginning of year  | 88,764,306                                 | 8,924,244                              | 97,688,550            |
| End of year  | <u>\$ 99,098,335</u>                       | <u>\$ 10,901,881</u>                   | <u>\$ 110,000,216</u> |

# **Charter Township of Clinton Macomb County, Michigan**

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**Federal Awards  
Supplemental Information  
March 31, 2007**



# Charter Township of Clinton

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton (the "Township") as of and for the year ended March 31, 2007, which collectively comprise the Charter Township of Clinton's basic financial statements, and have issued our report thereon dated August 24, 2007. Those basic financial statements are the responsibility of the management of the Charter Township of Clinton. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Clinton's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

August 24, 2007

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of and for the year ended March 31, 2007, which collectively comprise the Charter Township of Clinton's basic financial statements, and have issued our report thereon dated August 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Clinton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Clinton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter Township of Clinton's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees  
Charter Township of Clinton

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Clinton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Charter Township of Clinton's response to the finding relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township board, the U.S. Department of Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

August 24, 2007

Report on Compliance with Requirements Applicable to Each  
Major Program and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

## Compliance

We have audited the compliance of the Charter Township of Clinton with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2007. The major federal programs of the Charter Township of Clinton are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Charter Township of Clinton's management. Our responsibility is to express an opinion on the Charter Township of Clinton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Clinton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Clinton's compliance with those requirements.

In our opinion, the Charter Township of Clinton complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2007.

However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item Finding 2007-I.

To the Board of Trustees  
Charter Township of Clinton

### **Internal Control Over Compliance**

The management of the Charter Township of Clinton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Clinton's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Charter Township of Clinton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Charter Township of Clinton's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township board, the U.S. Department of Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

August 24, 2007

# Charter Township of Clinton

## Schedule of Expenditures of Federal Awards Year Ended March 31, 2007

| Federal Agency/Pass-through Agency/Program Title   | CFDA<br>Number | Project/<br>Grant Number | Award<br>Amount     | Federal<br>Expenditures |
|--|----------------|--------------------------|---------------------|-------------------------|
| U.S. Department of Housing and Urban Development - Community Development Block Grant:  | 14.218         |                          |                     |                         |
| Program year 2004  |                | B-04-MC-26-0033          | \$ 641,000          | \$ 341,287              |
| Program year 2005  |                | B-05-MC-26-0033          | 604,145             | 216,438                 |
| Program year 2006  |                | B-06-MC-26-0033          | <u>541,960</u>      | <u>174,033</u>          |
| Total U.S. Department of Housing and Urban Development   |                |                          | 1,787,105           | 731,758                 |
| U.S. Department of Justice - Bureau of Justice Assistance Law - Edward Byrne Memorial Justice Assistance Grant               | 16.738         | N/A                      | 34,454              | 34,454                  |
| U.S. Department of Transportation - Office of Highway Safety Planning Cluster:   |                |                          |                     |                         |
| Alcohol enforcement  | 20.601         | N/A                      | 12,466              | 12,466                  |
| Seatbelt enforcement   | 20.600         | N/A                      | <u>14,925</u>       | <u>14,925</u>           |
| Total U.S. Department of Transportation Cluster  |                |                          | 27,391              | 27,391                  |
| General Services Administration - Election Reform Payments - Title I, Section 102 Monies                                     | 39.011         | N/A                      | 134,073             | 134,073                 |
| U.S. Elections Assistance Commission - Election Reform Payments - Title II Monies  | 90.401         | N/A                      | 146,928             | 146,928                 |
| Department of Homeland Security:   |                |                          |                     |                         |
| Year 2003 State Domestic Preparedness Program - Regional Response Team Network - Equipment                                   | 97.004         | N/A                      | 250,817             | 250,817                 |
| Year 2004 State Domestic Preparedness Program - State Homeland Security Grant Program  | 97.004         | N/A                      | 22,000              | 22,000                  |
| Year 2005 State Domestic Preparedness Program:   | 97.004         |                          |                     |                         |
| State Homeland Security Grant Program  |                | N/A                      | 297,265             | 276,057                 |
| Law Enforcement Terrorism Prevention Program   |                | N/A                      | <u>109,081</u>      | <u>109,081</u>          |
| Total Department of Homeland Security  |                |                          | 679,163             | 657,955                 |
| State of Michigan, Department of State Police, Emergency Management Division - Emergency Management Performance Grant (EMPG) | 97.042         | N/A                      | 11,108              | 11,108                  |
| U.S. Department of Health and Human Services - Public Health Emergency Preparedness  | 93.283         | N/A                      | <u>36,922</u>       | <u>36,922</u>           |
| Total federal programs   |                |                          | <u>\$ 2,857,144</u> | <u>\$ 1,780,589</u>     |

# **Charter Township of Clinton**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended March 31, 2007**

### **Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Clinton and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **Note 2 - Loans Outstanding**

At March 31, 2007, the Township had an outstanding loan balance of \$1,230,000 due to the State Revolving Fund, of which \$257,000 is owed to the federal government (CFDA #66.458). The loan was necessary to acquire and construct additions, extensions, and improvements to the Charter Township of Clinton's sanitary sewage component of its water supply and sewage disposal system.



# Charter Township of Clinton

## Schedule of Findings and Questioned Costs Year Ended March 31, 2007

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   X   Yes \_\_\_\_\_ No

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster  |
|--------------|---|
| 14.218       | U.S. Department of HUD - Direct Programs - Community Development Block Grants           |
| 97.004       | Department of Homeland Security - Direct Programs - State Domestic Preparedness Program |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# Charter Township of Clinton

## Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2007

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

| Reference<br>Number | Findings  |
|---------------------|---|
| 2007-1              | <p><b>Program Name</b> - Department of Homeland Security - State Domestic Preparedness Program - 97.004</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Noncompliance condition</p> <p><b>Criteria</b> - The Township is responsible for maintaining the significant history of the procurement process, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of the contract price. The Township is also responsible for providing full and open competition.</p> <p><b>Condition</b> - For two of the four expenditures selected for procurement testing, the Township did not maintain the history of the procurement process.</p> <p><b>Context</b> - The Township represents that the competitive bids were sought by multiple vendors; however, the Township could not provide any supporting documentation to indicate that multiple bids were requested for the expenditures.</p> <p><b>Cause</b> - Supporting documentation of the bidding process was not retained by the Township.</p> <p><b>Effect</b> - For the two expenditures selected for testing, the Township was unable to indicate that bids were sought from multiple vendors.</p> <p><b>Recommendation</b> - Supporting documentation should be retained to indicate that multiple bids were requested for expenditures incurred with Department of Homeland Security funds.</p> <p><b>Questioned Costs</b> - None</p> |

# Charter Township of Clinton

## Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2007

### Section III - Federal Program Audit Findings (Continued)

| Reference<br>Number | Findings  |
|---------------------|---|
| 2007-1<br>(Cont'd)  | <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - We are preparing to amend the competitive bid portion of the Township's purchasing policy to clarify documentation retention requirements to be followed by departments initiating purchases. Of particular concern will be the evidence required when purchasing items from cooperative purchasing contracts made available by the State or nearby county governmental units.</p> <p>The following language is being adopted in the cooperative purchasing portion of the purchasing policy:</p> <p>When possible, purchasing items included within cooperatively bid state, county, and local contracts is encouraged. These bid procedures should reflect the Township's procurement policies and procedures, including acquiring and maintaining evidence that an appropriate bid process was used and that the prices obtained do in fact tie back to the competitively bid contract. This evidence must be maintained for three years in the department initiating the purchase. The practice of merely having vendors indicate that price is "contract pricing" is insufficient.</p> |

August 24, 2007

To the Board of Trustees  
Charter Township of Clinton  
40700 Romeo Plank Road  
Clinton Township, MI 48038

Dear Board Members:

We have recently completed our audit of the Charter Township of Clinton's financial statements for the year ended March 31, 2007. In addition to the audit report, we offer the following comments and recommendations for your review and consideration:

### **Financial Condition and Future Funding**

For the year ended March 31, 2007, General Fund revenues exceeded expenditures by approximately \$3,044,000. Fund balance in the General Fund totaled approximately \$7.8 million with \$3.8 million designated primarily for working capital, approximately \$120,000 reserved for prepaid costs, and approximately \$3.8 million that is unreserved and undesignated.

The Township continues to place emphasis on maintaining a sufficient level of fund balance to withstand unanticipated financial changes. An adequate level of fund balance positions the Township to address negative financial trends without disrupting the level of services provided to citizens or the Township's ability to fund future obligations and projects.

### **Revenue Sharing**

The future of the State's revenue-sharing program may be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The magnitude of the State's deficit has become even more pronounced after the State's January and May 2007 revenue estimating conferences. According to economists, Michigan is still approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. It is not completely clear whether the State's fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing; and those matters include the following:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years.

The question that remains is when the reserve funds established by counties are depleted, will counties come back into the “revenue-sharing formula” and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?

- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changing Michigan Business Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State’s budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the Legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State’s budget is hard to predict. Rumors of further changes to Michigan’s tax structure continue to circulate around Lansing as the Legislature continues its work on the State’s fiscal year 2007/2008 budget and solving the estimated \$1.8 billion deficit that exists.

As introduced, the governor’s budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments.

While the debate is in process and all indications point to a very busy September for the Legislature, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State’s fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

With the appropriation reductions to revenue sharing since 2001 (including approximately \$558 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State’s budget, the State is required to reduce the statutory portion of a local unit’s revenue sharing (remember that the constitutional portion cannot be adjusted). Many townships no longer have any statutory revenue sharing remaining as a result. For those communities, because sales tax collections have increased since 2001, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$1,400,000 at risk in its General Fund budget based on 2007 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

### **New Cable Franchise Legislation**

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act," which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date in order to enter into this new local franchise agreement under the statewide framework.

It was expected that local governments would receive their first payment under the new Act beginning in May 2007. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

### **Retiree Health Care Benefits**

As you are aware, the Township provides postemployment benefits for all eligible employees that are funded currently from the General Fund. For the year ended March 31, 2007, the cost of these benefits amounted to approximately \$2,033,000, representing an increase of approximately 8 percent over the 2006 amount.

As you are aware, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. Similar to the current accounting for the pension systems, the new pronouncement will require the Township to obtain an actuarial valuation of the obligation to provide retiree health care benefits. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. Lastly, we recommend that the Township make an annual contribution equal to the amount that the actuary deems necessary to fund the liability. The changes required under GASB Statement 45 will be effective in 2009. We would be happy to assist the Township in further understanding the provisions of GASB Statement 45 as the implementation date draws nearer.

### **New Auditing Standards**

The American Institute of Certified Public Accountants issued several new Statements on Auditing Standards (SAS) during 2006 that will be effective for the Township's 2008 audit. These new standards (SAS 104 through 111) are collectively referred to as the "Risk Assessment" audit standards because they will substantially affect the auditing process by enhancing the auditor's application of audit risk assessment. The new standards require auditors to perform the following:

- Obtain a more in-depth understanding of the Township and its internal control environment to identify the risks of material misstatement in the financial statements and what the Township is doing to mitigate them
- Perform a more rigorous assessment of the risks of material misstatement of the financial statements based on that understanding
- Improve the linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks

While Plante & Moran, PLLC has historically used a risk-based audit approach with audit programs that are tailored to each client, the new standards will require some revision to our approach and documentation. We are currently in the process of updating our audit programs and processes to comply with the new standards. We will continue to keep you apprised of the practical implications these changes will have on your accounting department in their preparation for our audit.

## **Bond Issuance**

As an issuer of tax-exempt bonds in excess of \$5 million, the Township is subject to arbitrage regulations. Arbitrage regulations contain certain “safe harbor” exceptions, which set forth spending guidelines. If these spending guidelines are met, the Township will avoid possible arbitrage liabilities. As the bond proceeds have been used for a construction project (41-B District Court Building), in order for the Township to meet safe harbor exceptions, bond proceeds should be disbursed, at the latest, in accordance with the following two-year schedule:

- At least 10 percent disbursed within 6 months
- At least 45 percent disbursed within 12 months
- At least 75 percent disbursed within 18 months
- At least 100 percent disbursed within 24 months (with an allowance to withhold a 5 percent contract retainage)

## **Homeland Security**

For construction and supplies contracts over \$25,000, incurred with Homeland Security funds, the Township is responsible for maintaining the significant history of the procurement process, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of the contract price. The Township is also responsible for providing full and open competition. For two of the four expenditures selected for procurement testing, the Township did not maintain the history of the procurement process. The Township represents that the competitive bids were sought by multiple vendors; however, the Township could not provide any supporting documentation to indicate that multiple bids were requested for the expenditures. We recommend that supporting documentation be retained to indicate that multiple bids were requested for expenditures incurred with Department of Homeland Security funds.

## **Remote Cash Locations**

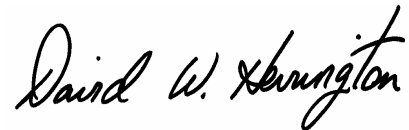
The Senior Center is a remote location, which is responsible for collecting cash on behalf of the Township. However, the Senior Center has not been integrated into the Township’s accounting system. In order to improve the level of internal controls, we recommend utilizing the Township’s accounting system for Senior Center cash receipts.



We thank the Township board for the opportunity to serve as your auditors and for all the assistance and cooperation that we received from the Township administration throughout the audit. As always, if you have any questions or wish to discuss any matters, please do not hesitate to call.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "David W. Herrington". The script is cursive and fluid, with the first name being the most prominent.

David W. Herrington

A handwritten signature in black ink that reads "Dana M. Coomes". The script is cursive, with the first name being the most prominent.

Dana M. Coomes